PZ Cussons plc Annual Report and Financial Statements 2022

FOR EVERYONE, FOR LIFE, FOR GOOD.

PZ CUSSONS IS A BRANDED CONSUMER GOODS BUSINESS FOR EVERYONE, FOR LIFE, FOR GOOD.

OVERVIEW

Read our report online
www.pzcussons.com/investors/

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

A WORD FROM OUR CHAIR

IT'S AN EXCITING TIME AS WE MOVE FROM TURNAROUND TO TRANSFORMATION.

We have continued to develop our business throughout 2022, making significant strategic progress. Our strengthened leadership team brings experience of global consumer goods businesses, emerging markets and different sectors. This is complemented by significant PZ Cussons' 'know-how' who have built their careers here and know our brands and markets intimately.

We were delighted to welcome our first Chief Sustainability Officer – a new role for PZ Cussons – who will be instrumental as we work towards our B-Corporation ambitions. We have recently published new sustainability targets, which are realistic and reflective of the size and complexity of our business. We have also established an ESG Committee of the Board ensuring the right level of Board engagement in this important topic.

We have welcomed two Non-Executive Directors to the Board during the year, and I am pleased with the broader progress that has been made with regards to Board governance.

I am particularly proud of the new 'BEST Values' which our teams have defined: to be Bold, Energetic, Striving and to work Together – underpinning our drive to build a stronger performance culture. These new values build on the work we did last year in redefining our purpose. The organisation has taken a real step forward in its mindset, reigniting its pioneering spirit.

FY22 also saw the announcement of our acquisition of Childs Farm, our first acquisition since 2014, reflecting the renewed confidence that arises from our firmer operational foundations. The Childs Farm acquisition also marked an important step on our journey from the turnaround of our core business to our broader business transformation.

Our strategic progress is also reflected in our financial results. Although FY22 was a challenging year for us and many of our peers, we have delivered a second year of like-for-like revenue growth, and a further reduction in adjusted net debt. More importantly perhaps, we have seen improvements in the consistency of performance throughout the year, which has been a focus for both the Board and our management team.

As we look into FY23, the Board will continue to track progress on the turnaround of our core business and also look to accelerate our broader transformation into a simpler and more sustainable business with improved revenue growth and profitability. FY23 will undoubtedly be a challenging year with continued macro-economic uncertainty, cost of living challenges and inflation. Our Board is confident in the Group's ability to meet these challenges and to seize opportunities where they may present.

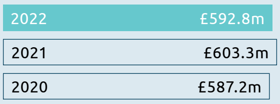
On behalf of the Board, I wish to thank all our employees for their continued drive and commitment, and our shareholders, customers and other key stakeholders for their ongoing support and partnership.

Caroline Silver
Non-Executive Chair

See our Governance section / **Pages 96–149**

FINANCIAL HIGHLIGHTS

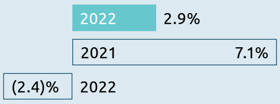
WE HAVE DELIVERED A RESILIENT PERFORMANCE OVER THE PAST YEAR, AGAINST THE BACKDROP OF CHALLENGING CONDITIONS IN OUR MARKETS.



Revenue

£592.8m

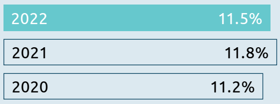
(2021: £603.3m)



LFL revenue growth[1]

2.9%

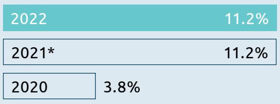
(2021: 7.1%)



Adjusted operating profit margin[2]

11.5%

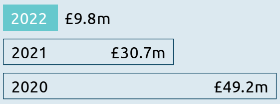
(2021: 11.8%)



Statutory operating profit margin

12.7%

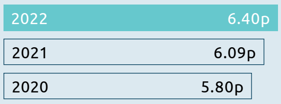
(2021*: 11.2%)



Adjusted net debt[1]

£9.8m

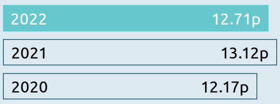
(2021: £30.7m)



Dividend per share

6.40p

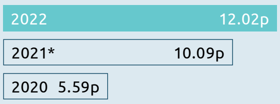
(2021: 6.09p)



Adjusted basic earnings per share from continuing operations[2]

12.71p

(2021: 13.12p)



Statutory earnings per share

12.02p

(2021*: 10.09p)

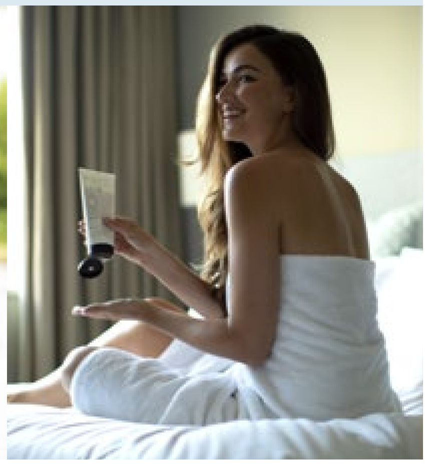
1 Definitions of key terms are provided in the Glossary on page 246.

2 Further details on adjusting items are set out in note 3 on page 188.

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

The key financial metrics we focus on have evolved from FY21 as we refine the linkage between our strategy and financial performance, and reflect feedback from stakeholders. In particular, we have included like-for-like revenue growth and focused more on operating profits.

See our key performance indicators / **Page 73**



2022: YEAR IN REVIEW

JUNE 2021

five:am disposal

We sold our five:am yoghurt business in Australia, marking our exit from the adult nutrition business.

See our Financial review / **Page 82**

DEC 2021

Launch of Values

We refreshed our PZ Cussons Values with a global campaign incorporating local involvement across our business units.

See more on our Purpose and Values / **Pages 16-19**

FY 2022

AUGUST – SEPTEMBER 2021

Executive Leadership Team

We have continued to strengthen our Executive Leadership Team, with a number of external appointments as well as internal promotions.

JAN 2022

Manchester Head Office re-launch

After several months spent working from home during the pandemic, our teams were reunited in a newly refurbished Head Office.

MAR 2022

Acquisition of Childs Farm

We welcomed Childs Farm, a leading UK brand in baby and child personal care, to the PZ Cussons family as a Must Win Brand.

Read more about the acquisition of Childs Farm / **Page 25**

APR 2022

People Transformation

We launched Workday, our new people management system that is enabling us to standardise and streamline global processes, with the single sourcing of data in real time accessible any time and anywhere.

FY 2022

FY 2022

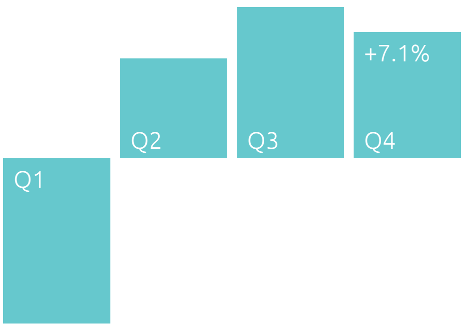
Sale of non-core assets

As part of our drive to simplify our business and operations, we sold a number of residential properties in Nigeria, with total gross proceeds of

£18.4m

FY 2022

Like-for-like revenue growth



Positive momentum in trading

Following an exceptionally strong performance in FY21, we have seen quarterly like-for-like revenue growth improve throughout FY22, with growth for the year as a whole of:

+2.9%

PZ CUSSONS AT A GLANCE

PZ CUSSONS IS A BRANDED CONSUMER GOODS BUSINESS.

With nearly 140 years of heritage, we employ nearly 3,000 people across our operations in Europe, North America, Asia Pacific and Africa. Since our founding in 1884, we have been creating products to delight, care for and nourish consumers. We are building on these foundations with our strategy and business transformation, as we look to the future.

Our strategy has defined our core categories as Hygiene, Baby and Beauty, each of which is attractive in terms of future growth and where we believe we have a right to win.

We operate across 3 geographic regions, with 4 priority markets: the UK, Indonesia, Australia and New Zealand ('ANZ') and Nigeria.

FINANCIALS AT A GLANCE

Revenue	LFL revenue growth	Adjusted operating profit	Operating profit
£592.8m	2.9%	£67.9m	£66.6m

EUROPE & THE AMERICAS

Revenue
£193.0m

Adjusted operating profit
£35.0m

Operating profit
£22.9m

Priority market:

Operations:
The UK is home to our corporate headquarters in Manchester as well as our UK Personal Care and Beauty businesses, including a manufacturing centre of excellence.

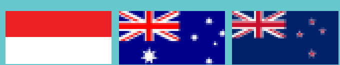
ASIA PACIFIC

Revenue
£173.8m

Adjusted operating profit
£20.9m

Operating profit
£37.0m

Priority markets:



Operations:
We have offices in Indonesia, Australia and Thailand, with manufacturing facilities in Indonesia and Thailand.

AFRICA

Revenue
£222.0m

Adjusted operating profit
£22.3m

Operating profit
£28.6m

Priority market:

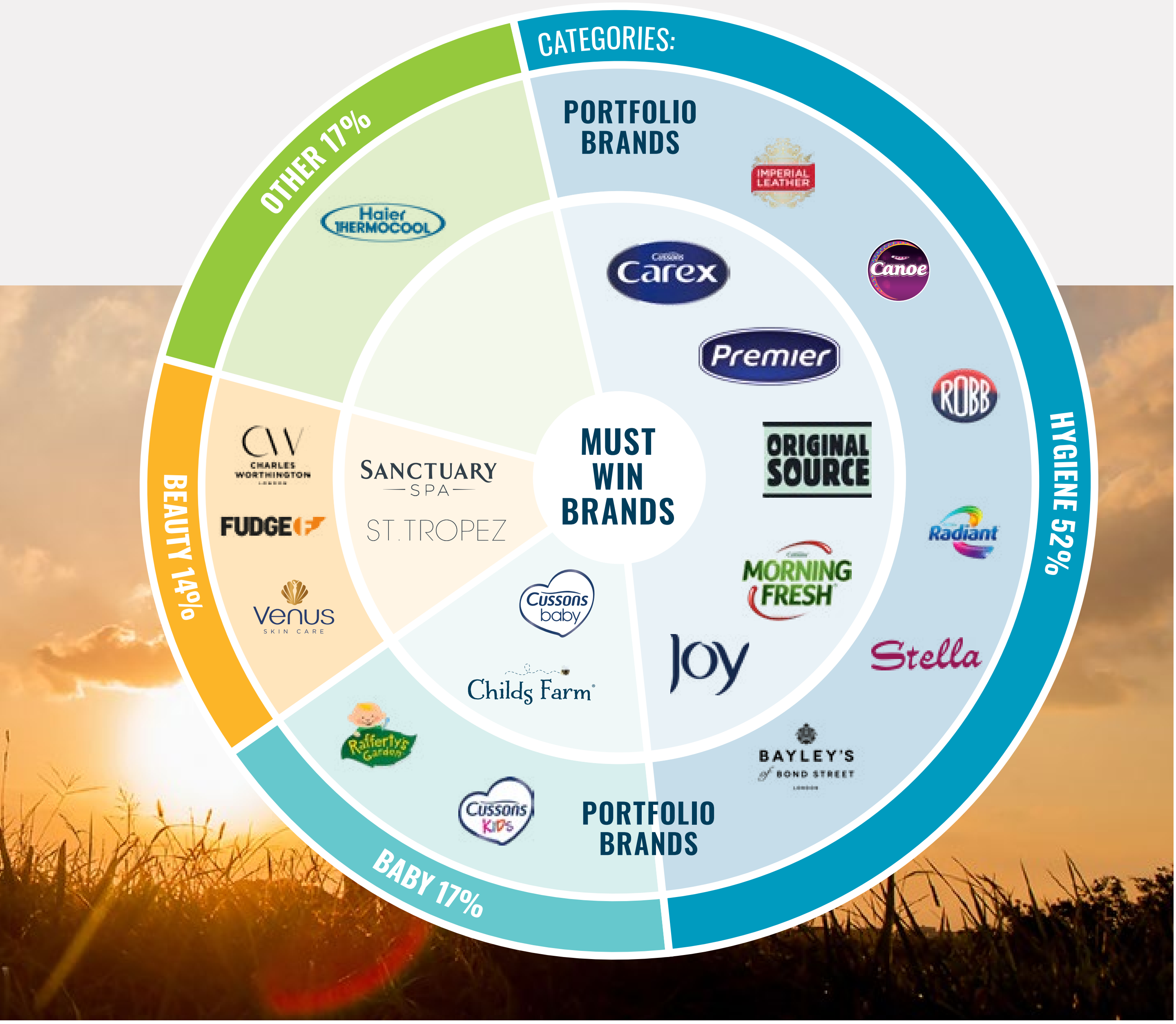
Operations:
Our largest office and manufacturing centre is in Lagos, Nigeria with smaller operations in other parts of Nigeria, Kenya and Ghana. Our joint venture, PZ Wilmar and our Electricals business are also located in Nigeria.

OUR BRANDS

BUILDING BRANDS FOR LIFE TODAY AND FOR FUTURE GENERATIONS.

We have some of the world's best-loved and most trusted brands. There are two parts to our brand portfolio: Must Win Brands and Portfolio Brands.

Our Must Win Brands have leading positions in our priority markets and are our focus for investment, while our Portfolio Brands each have an important role to play within the broader portfolio.



Portfolio Brands also includes Devon King's and Mamador which are not included in PZ Cussons Group revenue as they form part of the PZ Wilmar Joint Venture and are therefore equity accounted.

Percentages on chart represent % of FY22 Group revenue

OUR BUSINESS MODEL

WE BUILD BRANDS WHICH ENABLES US TO CREATE VALUE FOR ALL OUR STAKEHOLDERS.

OUR COMPETITIVE ADVANTAGE

Our strength is in being a multi-local rather than multi-national business, with the level of focus, experience and dedication to our priority markets that this brings.

Our brands

High-quality, trusted and well-loved brands

Our people

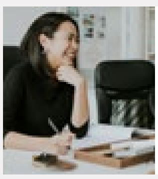
Diverse, skilled and passionate employees. Leaders at all levels

Our infrastructure

World-class manufacturing and distribution capabilities in selected geographies

Our stakeholders

Close working relationships with customers, consumers, suppliers and communities



Our financials

Strong balance sheet reflecting our disciplined approach

WHAT WE DO

We are a branded consumer goods business.

TRIAL AND LOYALTY

Delight consumers through the use of our products.

SALES AND DISTRIBUTION

Establish customer partnerships and channels to deliver our products to wherever our shoppers shop.

ADVERTISING AND MARKETING

Invest in multi-channel advertising and marketing campaigns to connect with consumers and build memorable, trusted and well-loved brands.

THE VALUE WE CREATE

Our business model creates shared, sustainable value for all our stakeholders.

INSIGHT AND INNOVATION

Obtain insights into current consumer needs and longer-term trends. Through innovation, use these insights to continuously develop brands and products that consumers want and desire.

SOURCING AND MANUFACTURING

Service consumer demand by sourcing ethically-responsible raw materials and manufacturing them into high-quality finished products, either in our own world-class facilities or through carefully-selected, trusted third-party supplier relationships.

ALL UNDERPINNED BY OUR PURPOSE, CULTURE, VALUES, GOVERNANCE AND ETHICS

For consumers

Innovative, high-quality and trusted brands

For customers

Our retail partners and customers benefit from selling our leading brands

For employees

Engaged teams and relationships, training and development opportunities and a supportive culture and values

For investors

A strong balance sheet, refreshed leadership and a plan to deliver sustainable, profitable revenue growth

For society

Community and charitable initiatives linked to our priority markets

For the environment

Sustainability at the heart of what we do. Sustainable sourcing, our 2023 Palm Oil Action Plan and reduced carbon emissions, water use and landfill waste

INTRODUCING OUR VALUES

At PZ Cussons, we aspire to be our BEST

BOLD

ENERGETIC

STRIVING

TOGETHER

Our 'BEST' Values are introduced in more detail on page 18 and are individually referenced throughout this report.

AS INDIVIDUALS WE ARE

BOLD

FEARLESS, PIONEERING AND PASSIONATE, OPEN AND HONEST, TRUE TO OURSELVES AND PROUD OF WHO WE ARE

STRATEGIC REPORT

Our BOLD value in action:

WE ENGAGE WITH COURAGE AND AUTHENTICITY

- accountability and integrity in all we do
- reaching out and connecting, sharing views, taking feedback
- speaking up and making a difference

CHIEF EXECUTIVE'S REVIEW

RETURNING THE GROUP TO SUSTAINABLE GROWTH.

It has been just over two years since I joined PZ Cussons, and I am proud of the progress that our teams have made. We have established and embarked upon our new strategy with determination and pace, refreshing our values and establishing our corporate purpose, and have made a number of significant organisational and portfolio changes. Crucially now, alongside the delivery of a more consistent financial performance, we have also raised our gaze, setting our sights on long-term opportunities to ensure we can continue to create value for our stakeholders for years to come.

Our performance during FY22 was heavily impacted by the significant effects of input cost inflation and the resulting impact on consumer spending, consistent with others operating in our sector. Within this context, we are pleased to be able to report a second year of good progress, with revenue and operating profit both higher than two years ago, prior to the launch of our new strategy.

As Covid-19 restrictions eased, we were finally able to travel to visit our markets, meeting customers, partners and consumers around the world. I also met many of our colleagues in person for the first time and, on behalf of the Board, I would like to thank the PZ Cussons team for their continued hard work and dedication.

Our response to the ongoing macro challenges

Along with the wider consumer goods industry, we have experienced a number of challenges, with supply chains still fragile from Covid-19 being further impacted by the war in Ukraine. We have seen record levels of inflation across a number of raw materials and spikes in the cost of freight and other logistics. As expected, a further consequence in recent months has been a squeeze on household budgets in various parts of the world.

Whilst we primarily operate in categories that are non-discretionary, we are working hard to ensure we continue to offer the best possible value for consumers. To that end, and given the challenging backdrop for input costs, our response has been focused on three areas:

- Working hard to reduce costs that the consumer does not see or value such as optimising logistics, maximising procurement savings and reducing overheads;
- Revenue Growth Management activity such as optimising trade investment, and managing our portfolio of product formats, their pricing and associated promotional activity and channel mix; and
- Investing in the business to achieve long-term savings, particularly in our supply chain. During the year we began the process of re-locating our procurement function to improve performance, and over the medium term we will reconfigure our supply chain to maximise efficiency.

Our strategic progress: Building brands for life. Today and for future generations.

In March 2021, we set out our new strategy: 'Building brands for life. Today and for future generations.' We have defined where we will play; focusing on the core categories of Hygiene, Baby and Beauty, in our four priority markets of the UK, ANZ, Indonesia and Nigeria, with a particular focus on our Must Win Brands, using the 'PZ Cussons Growth Wheel' as our repeatable model for execution.

VISITING COLLEAGUES AND CUSTOMERS AGAIN

As travel restrictions eased following the Covid-19 pandemic, we were able to visit our teams, customers and other stakeholders around the world once again. For a number of our colleagues who have joined the business during lock-down, this was an opportunity to meet in person for the first time.

INCREASED BRAND INVESTMENT	BEAUTY ONLINE % OF REVENUE:	NEARLY 3/4
+69%	>30%	OF PLASTICS USAGE IS NOW RECYCLABLE, RE-USABLE OR COMPOSTABLE
(VS. FY20, MUST WIN BRANDS)		

Underpinning this strategy, our growth will be enabled by strengthening our approach to capabilities, talent and leadership, culture and sustainability. Running through everything we do is a drive to dramatically reduce complexity across our business.

Our long-term opportunities

We see significant potential for long term growth, in both our existing four priority markets, and beyond, including the US where we have a strong Beauty business.

In Nigeria and Indonesia, Cussons Baby is a leading brand in Baby personal care, and these two markets are expected to grow by c.11% a year between 2021 to 2026[1]. This in part reflects the strong birth rates, with approximately 12 million babies born annually in Nigeria and Indonesia combined, making the markets the third and fifth fastest growing markets globally on this basis.

More broadly in Nigeria, the population is anticipated to reach 400 million by 2050[2], making it the third most populous country in the world. With a number of leading brand positions, and a strong understanding of the market, we are well placed to benefit from longer term growth.

Elsewhere, while the markets of Australia and the UK are more developed, there remain significant opportunities to maximise the potential of our brands, growing penetration of existing categories and expanding into further adjacencies where our brands have a right to win. Morning Fresh and Carex, our largest brands in these two markets respectively, are clear leaders of their categories, and have further increased their market shares during the year. Both have capacity for further product expansion over time, leveraging their existing brand equity.

More broadly, we see opportunity to grow our brands outside of their home markets through the use of our own distribution networks as well as that of third-party distributors. Imperial Leather already generates around 40% of its revenue outside of the UK, where it grew revenue nearly 30% in part due to innovation-driven share gains in Kenya. Carex was re-launched in Nigeria during the year and is quickly establishing itself as an important player in the hand hygiene category. Looking further out, we see exciting opportunities for the expansion of Childs Farm, and are well progressed with plans here, having already made a number of operational changes following the acquisition in March 2022.

FURTHER READING

See more on Building brands for life / **Page 24**

See our new Strategy in action / **Page 30**

See more on Leaders at all levels / **Page 28**

See more on Sustainability / **Page 44**

"The good progress already made in addressing our legacy issues has strengthened the foundations of our business, from which we can now begin to transform."

Jonathan Myers
Chief Executive Officer

1 PZ Cussons estimates based upon Euromonitor. Category defined as 'Baby and Child-specific Products'. Growth rate cited represents the two markets combined
2 Statista

CHIEF EXECUTIVE'S REVIEW CONTINUED

"PZ Cussons has delivered a resilient performance over the past year, against the backdrop of challenging conditions in our markets. We have achieved this through our strategy to invest in our brands, focusing on the core categories of Hygiene, Baby and Beauty, while significantly raising the bar on the way we operate."

Jonathan Myers
Chief Executive Officer

Our Beauty brands also benefit from structural tailwinds, with strong category performance driven by growth in online sales and increasing demand for 'self-care' products. Over 30% of Beauty revenue was generated online in FY22 as we strengthen our offerings with key partners.

Our ability to capture these opportunities stems from our unique positioning as a 'multi-local' player. We have the centralised support and know-how to expand our brands internationally, but we are also agile in our decision-making, and adept at forging strong relationships with our local customers. Finally, sustainability is an increasingly important consideration for both consumers and our customers, and we believe that our competitiveness will strengthen, over time, as our businesses successively attain B Corp accreditation: clear evidence to our stakeholders of our products reaching the highest standards.

Our Strategic Progress in FY22

Throughout the year, we made good progress across the key areas of our strategy:

Build Brands

Our primary strategic focus has been on building brands, investing in their long-term equity to drive awareness and consumer loyalty. There have been a number of major campaigns focused upon our Must Win Brands, including Carex, Original Source, Premier, and Sanctuary Spa, across TV and digital media, with several returning to TV commercials for the first time in a number of years. Overall, our Brand Investment in Must Win Brands is up nearly 70% compared to FY20. This has been funded by a reduction in investment in Portfolio brands, as well as improved efficiency of the spend. Carex's 'Life's a Handful' campaign for example saw double the typical return on investment, as measured by revenue per £ of marketing spend.

We also welcomed Childs Farm to our stable of Must Win Brands, following the acquisition of the business in March 2022. Childs Farm is a leader in baby and child personal care in the UK and is highly complementary to our strategic focus behind the core categories of Baby and Hygiene. We see opportunities to leverage our brand building capabilities to strengthen its position in the UK market and to unlock potential internationally.

Serve Consumers

Serving consumers is about winning where the shopper shops. To that end, we have for example driven significant share gains in e-commerce. In Australia, our dedicated e-commerce team has sought to replicate their in-store market share strength online, working to enrich our data, improving our 'virtual shelf' and optimising activation and promotions. As a result, we have seen our online share for Rafferty's Garden overtake our offline share. Also in Australia, an expanded product portfolio has allowed for increased listings of Morning Fresh, resulting in increased share of shelf and, ultimately, greater overall market share.

In Nigeria, we have been transforming our route-to-market capabilities, differentiating by region and channel, to improve overall distribution and customer service levels, in turn growing consumer penetration. We have more than doubled the numbers of grocery stores in which we are present over the last year and have significantly improved key metrics of distribution efficiency.

Reduce Complexity

Reducing complexity helps reduce risk in our business, and allows our teams to focus their time, efforts, and resources on driving the business forward.

A major part of our overall focus has been in Nigeria where, in addition to route-to-market improvements, including the consolidation of suppliers and distribution centres, we are simplifying our portfolio with the sale of residential properties. A project to improve the efficiency of our usage of our SAP system is underway, and we expect to begin to see the benefits of this from FY23. For further information on our Nigeria Simplification project, see note 3 of the financial statements

In the UK, we have consolidated our marketing agencies from over 70 to fewer than 20 and as part of the successful relaunch of Imperial Leather we have significantly reduced the number of SKUs, improving supply chain efficiency and profitability.

Develop People

Through the course of FY22 we created a number of new leadership roles, including Chief Marketing Transformation Officer, Managing Director – New Business Development and Chief Sustainability Officer. These, and other leadership roles, have been filled by both hiring individuals from leading consumer goods companies, allowing us to incorporate strong, relevant industry experience, as well as internal promotions.

During the year, informed by a group of employee 'culture ambassadors', internal focus groups and our annual engagement survey, we refreshed our corporate values, and distilled our culture and ways of working, now and in the future, into four BEST values: Bold, Energetic, Striving and Together.

Childs Farm

We were also pleased that Childs Farm became a B Corp in July 2022, which is an outstanding achievement for the entire Childs Farm team, and something the broader business will now learn from as we continue to pursue B Corp certification for each of our business units.

These initiatives have been well received by employees and we will continue to embed them throughout FY23.

Grow Sustainably
Our investment in sustainability is driven in large part by growing consumer demand for greener products which presents clear commercial opportunities for us.

More sustainable products have been a feature of our performance in FY22. In particular, refill pouches that allow consumers to refill bottles and which typically lead to a reduction in plastic of at least 75%, have been rolled out across a number of brands. These include Morning Fresh in Australia, and Carex and Charles Worthington in the UK. In the case of Carex, our refill products now represent approximately 10% of the value sales of the liquid hand wash category in the UK, making sales of refills alone larger than our closest competitor. Overall, 74.4% of our plastic is now recyclable, re-usable, or compostable.

We were also pleased that Childs Farm became B Corp certified in July 2022, which is an outstanding achievement for the entire Childs Farm team, and something the broader business will now learn from as we continue to pursue B Corp certification for each of our business units.

There is more that we need to do to strengthen the business, but we have made good progress in addressing our legacy issues. Our focus now turns to the future opportunities we see, as we move from Turnaround to Transformation.

Outlook

Notwithstanding the significant challenges related to cost inflation and consumer spending, which will remain uncertain over the coming months, we expect to deliver FY23 results in line with current consensus estimates.

Reflecting FY22 comparatives, and the phasing of cost inflation and forward purchasing cover, we expect that the adjusted operating profit margin will be weighted towards H2. We expect to make investments of approximately £20 million over FY22-25 which will support the continuing transformation of the business and will be in part funded by further disposals of non-core assets. We expect these to be accounted for as adjusting items.

Longer term, the actions we have been taking and the investments we will continue to make, will build a higher growth, higher margin, simpler and more sustainable business. Specifically, we are increasing our LFL revenue growth ambition to mid-single digit growth (compared to low-mid single digit growth previously) and maintaining our ambition for adjusted operating profit margins in the mid-teens.

'Better for All': our ESG framework

We recognise that issues such as climate change, plastic pollution and inequality pose potential risks to our business, and that we must take action, both in mitigating their effects, as well as reducing our contribution to these issues. Accordingly, in September 2021 we welcomed our first Chief Sustainability Officer to the Company. Since then, we have been focusing on ensuring that the way in which we manage, monitor and improve our environmental, social and governance (ESG) impacts aligns to our purpose and delivers better results for everyone.

Specifically, we have three focus areas which align to our corporate purpose: 'For Everyone' (our impact on people), 'For Life' (our environmental impact), and 'For Good' (how we behave as a business).

We will announce our new sustainability goals, based upon this framework, in more detail in our Sustainability Report on page 44. The goals are intended to be stretching enough that we can demonstrate real progress to our partners and stakeholders, but also to reflect where we are today, and the progress we have already made in many of these areas. Key environmental goals will include:

- Net zero emissions by 2045, with carbon neutrality in operations by 2025;
- Packaging sustainability: A one third reduction in virgin plastics by 2030, and ensuring packaging is 100% recyclable, refillable or compostable by 2030; and
- 30% reduction in water intensity by 2030.

Summary

In summary, we have had a second year of strategic progress, addressing our legacy issues and delivering a more consistent financial performance. There is undoubtedly more to be done however as we move from Turnaround to Transformation and we remain excited to build towards a higher growth, higher margin, simpler and more sustainable business.

Jonathan Myers
Chief Executive Officer

28 September 2022

OUR STORY AND PURPOSE

At PZ Cussons we enjoy a rich heritage dating back over nearly 140 years. Our story is one of strong growth, built on family values that have guided generations, as the Company has expanded around the world, to do the right thing.

PZ Cussons began in Sierra Leone, West Africa, in 1884, when founders George Paterson and George Zochonis began trading commodities with the UK. Nearly a century later, in 1975, the firm they founded acquired the equally illustrious Cussons Group, creating the PZ Cussons we know today.

Over all those years we've grown to become an international consumer goods group – home to some of the world's best loved and most trusted brands. The bold spirit, pioneering energy and entrepreneurship of our founders, combined with strong beliefs about how best to do business and a love of learning, are still at the very core of who we are.

PZ Cussons products have found a place in millions of households for generations. It's a legacy that makes us both humble and proud.

We believe in our Purpose

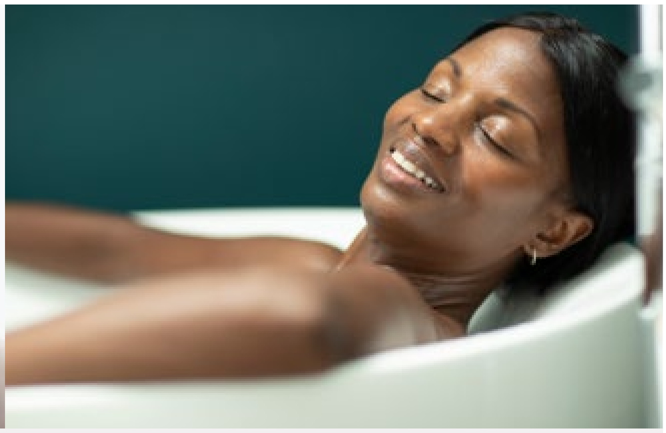
FOR EVERYONE, FOR LIFE, FOR GOOD.

We champion the wellbeing of our consumers: people, families and communities everywhere.

We protect the vitality of life, prevent harm and eliminate waste.

When? Now and for generations to come.

Why? Because we strive always to uphold the highest standards. And because it's the right thing to do.



Our duty now is to build on these firm foundations, to ensure PZ Cussons is fit for the 2020s and beyond. Our world faces challenges that our founders could never have imagined, but which we must rise together to meet if we're to leave a better business – and planet – for those that come after.

We know that delighting consumers is fundamental to this. Everywhere our products and brands touch people's lives, from the USA to Europe, Africa to Asia Pacific, we strive to understand, to support, to empower. We know that to grow sustainably, we must strive to be a force for positive change.

That's why we work together with communities, investors and our supply chain to continually improve environmental standards and ethical performance, to prevent harm, protect life and eliminate waste. Because it's the right thing to do, and because it's what the consumers of tomorrow will choose.

OUR VALUES

THIS YEAR WE REDEFINED OUR VALUES IN DISCUSSION WITH – AND FOR – EVERYONE WORKING AT PZ CUSSONS.

We are clear that our culture is a critical enabler of our PZ Cussons purpose and strategy and employee engagement is a priority.

With support from a group of employee 'culture ambassadors' and via focus groups, our annual engagement survey and team discussions across our business, we distilled our culture and ways of working, now and in the future, into four BEST values:

PZ Cussons people aspire to be our BEST

AS INDIVIDUALS WE ARE
BOLD

FEARLESS, PIONEERING AND PASSIONATE, OPEN AND HONEST, TRUE TO OURSELVES AND PROUD OF WHO WE ARE

IN OUR TEAMS WE ARE
ENERGETIC

DYNAMIC AND PROACTIVE, CAPABLE AND FLEXIBLE, EMBRACING CHANGE AND MOVING FAST INTO THE FUTURE

AS A BUSINESS WE ARE
STRIVING

RAISING THE BAR, PUSHING PERFORMANCE, AIMING HIGH AND ACHIEVING MORE

OUR SHARED CULTURE BRINGS US
TOGETHER

ONE FAMILY, MANY VOICES; SUPPORTED, INCLUDED, RESPECTFUL, EMPOWERED, AND WITH JOY IN WHAT WE DO

See our Values in action / **Bold, page 11, Energetic, page 95, Striving, page 151 and Together, page 244**

Read more about our Board's involvement in the development of our Values / **Page 99**

BEST GLOBAL LAUNCH EVENT 2021

All employees were invited to join the conversation. We ran a global launch event and multi-channel communication campaign spearheaded by our Executive Leadership Team with support from the Board.
Our 'leaders at all levels' management development programme also launched in sequence and set the tone for what was to follow, with the campaign closely aligned to strategic updates in our bimonthly global Town Halls.

PZ Cussons business units were then empowered to bring our BEST values to life in their own way, and our teams created huge energy locally with their storytelling activities and campaigns and continue to do so. Even the most light-hearted activity contributed to ensuring that everyone joined the conversation and understands the part they play in setting the right culture at PZ Cussons.

Results are in: Global Engagement Survey 2022

We maintained our overall 'employee engagement score' at 72% despite the ongoing challenges posed by the Covid-19 pandemic. Thanks to sustained effort from all of our teams, we also made big gains in questions relating to accountability and commitment, for example 88% of respondents agreed that we hold ourselves and our team members accountable for results (+9 benchmark) and 74% of respondents said they believe action will take place as a result of the global engagement survey (+15 benchmark).

Participation rate	I understand what I am responsible for and what is expected of me	I know how my work contributes to the goals of PZ Cussons	I am aware of our BEST values
93%	94%	93%	92%

Survey run by Culture Amp. Benchmark Consumer Goods and Services 2022.
93% participation rate (2,515 out of 2,699 employees globally).

Watch our Values video /
www.pzcussons.com/careers-home/

OUR MARKETS

OUR PORTFOLIO IS BALANCED ACROSS DEVELOPED AND EMERGING MARKETS

WITH FOUR PRIORITY MARKETS REPRESENTING THE MAJORITY OF OUR BUSINESS

Our priority markets are:

UK | Nigeria | Indonesia | ANZ

THESE FOUR PRIORITY MARKETS ARE HOME TO MOST OF OUR MUST WIN BRANDS, WHILE ST. TROPEZ IS THE LEADING PREMIUM TANNING BRAND IN THE US.

We have many years of experience operating in these markets. We seek to harness our local knowledge and customer relationships as we compete against global competitors, while leveraging our global capabilities, efficiencies and best practice as we compete against domestic operators.

MULTI-LOCAL

Most of our brands are considered 'local heroes': they are often leaders in their respective categories, and generate the majority of their revenue in their 'home' market.

We view our business not as multi-national, but as multi-local, and our strategy focuses on the strong base in these four priority markets.

Focus on: The Baby Category in Indonesia and Nigeria

NIGERIA AND INDONESIA ARE AMONG THE MOST ATTRACTIVE BABY MARKETS IN THE WORLD, RANKING 3RD AND 5TH RESPECTIVELY FOR THE NUMBER OF ANNUAL BIRTHS.

Combined, there are 12 million babies born annually in the two markets, which is nearly three times the amount born in the US. The Baby personal care category is expected to grow 7.6% over the period 2021–2026 in Nigeria, and 11.9% in Indonesia, driven by a combination of population growth and increased wealth.

We are well-placed to take advantage of these attractive market trends, with leading positions through our Cussons Baby brand.

7.6% CAGR
2021–2026 market growth in Baby personal care category

11.9% CAGR
2021–2026 market growth in Baby personal care category

Nigeria and Indonesia markets in numbers

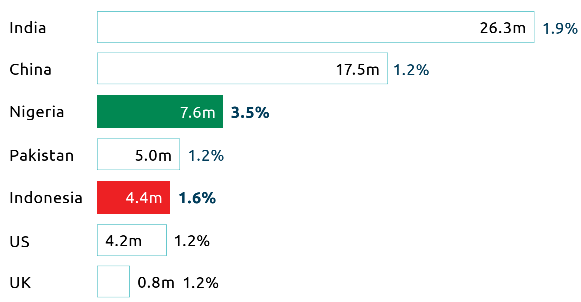
3rd & 5th
Ranked globally for annual births

+12m
Babies born a year in total across Nigeria and Indonesia

Indonesia total Baby market forecast to be worth
>£500m
in 2026

Nigeria expected to reach a population of
400m
by 2050, making it the world's third most populous country after China and India

Global births (m) and birth rates (%)



Sources:
Population and birth rates data from Statista and worldpopulationview.com

Market size and growth rates are PZ Cussons estimates based upon Euromonitor data.

OUR MARKETS

OUR STRATEGY IS CENTRED AROUND THREE CATEGORIES: HYGIENE, BABY AND BEAUTY, EACH WITH ATTRACTIVE UNDERLYING DRIVERS.

HYGIENE

Consumer awareness of the link between hygiene, wellness and health has grown over the long-term and has accelerated as a result of the Covid-19 pandemic.

In particular, aspects of hand hygiene have risen in importance, driving consumer demand for 'on the go' hand sanitisers, for example.

BABY

The global market for Baby personal care products is attractive. In some markets this is driven by strong birth rate growth, and in others by growing wealth and improved awareness of the products available, creating opportunities for premiumisation.

BEAUTY

The Beauty market has been impacted by Covid-19-related lockdowns since the beginning of 2020, but has for many years enjoyed a number of favourable underlying trends. These include the increased importance many consumers place on physical appearance in an age of social media and digital photography, as well as the growth in disposable income, particularly among women, who are typically the primary consumers of Beauty products.

Addressing the short-term market challenges

WHILE WE SEE STRONG UNDERLYING, STRUCTURAL TRENDS SUPPORTING OUR BUSINESSES, WE, ALONG WITH THE WIDER CONSUMER GOODS INDUSTRY, HAVE EXPERIENCED A NUMBER OF CHALLENGES OVER THE LAST YEAR.

Supply chains have been difficult for many months, with a combination of Covid-19 and, as it relates to the UK, Brexit, typically considered to be key drivers of the delays and increased costs in transporting goods around the world. Added to this, the war in Ukraine has put further pressure on global supply of commodities and other ingredients.

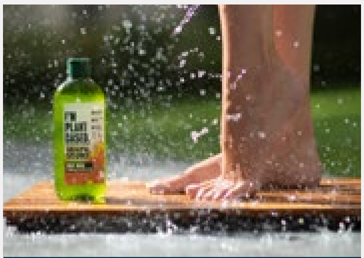
The knock-on impact of these increases in global prices is being felt by the consumer. In the UK, for example, consumers are experiencing a significant increase in energy prices, as well as other non-discretionary items such as their mortgage rates and food costs.

WE HAVE BEEN FOCUSED ON THREE PRIMARY ACTIONS TO ADDRESS THESE CHALLENGES

Removing costs that the consumer doesn't value through activities such as logistics optimisation, procurement, or reducing back office inefficiencies.

Investing to make cost savings for the long term, such as improving the efficiency of our factories.

Driving revenue growth management such as optimising trade terms, and ensuring our portfolio of product formats, and their prices, are appropriate.



SUSTAINABILITY

EMERGING MARKET CONSUMPTION

CHANNEL DISRUPTION – WIN WHERE THE SHOPPER SHOPS

Macro drivers

OUR STRATEGY IS INFORMED BY A NUMBER OF SIGNIFICANT CONSUMER AND MACRO-ECONOMIC TRENDS WHICH IMPACT ACROSS CATEGORIES.

Across the world, consumers are demanding ever higher standards of the brands they purchase, and of the companies which own those brands. Consumers increasingly seek reassurance that the ingredients used in products are ethically sourced, free from harsh chemicals or those that are bad for the environment, and to know that products have not been tested on animals. They are also more alert to the type of packaging being used, with virgin plastic replaced by recycled or recyclable materials.

We are working hard to address the demands as evidenced by our sustainability targets, as well as our commitments to B Corp certification.

We continue to see long-term potential in many emerging markets. Nigeria is, for example, a market where the population is expected to double by 2050, making it the world's third most populous country after China and India.

Our geographic footprint, with approximately half our revenue derived from emerging markets, and the strength of our brands in these markets, leaves us well-placed to benefit from these opportunities.

Across a number of our markets, we are seeing changes to the way in which shoppers shop. The pandemic, for example, drove a significant number of consumers to purchase online, and we are also witnessing a shift in channels in both Nigeria and Indonesia, where consumers are moving towards supermarkets and modern retail, away from the legacy of markets and traditional trade.

These shifts provide opportunities.

In 2022, we have continued to increase our revenue from online, with Beauty online revenue now over 30% of total Beauty revenue. We have also begun to execute a significant change in our route to market approach in Nigeria.

For more work on our sustainability / Pages 44-71

OUR STRATEGY

WE ARE BUILDING BRANDS TO SERVE CONSUMERS BETTER, WITH HYGIENE, BABY AND BEAUTY AT OUR CORE.

OVERVIEW

In March 2021, we set out our new strategy: 'Building brands for life. Today and for future generations.'

We have defined where we will play, focusing on the core categories of Hygiene, Baby and Beauty, in our four priority markets of the UK, ANZ, Indonesia and Nigeria, with a particular focus on our Must Win Brands, using the PZ Cussons Growth Wheel as our repeatable model for execution.

Underpinning this strategy, our growth will be enabled by strengthening our approach to sustainability, culture, leadership and capabilities. Running through everything we do is a drive to dramatically reduce complexity across our business.

AMBITION OF MID-SINGLE-DIGIT REVENUE GROWTH AND MID-TEENS MARGINS

WHERE TO PLAY	HOW TO WIN
FOCUS ON LEADING BRANDS IN PRIORITY MARKETS	

SUSTAINABILITY	CULTURE	LEADERSHIP	CAPABILITIES

DRAMATICALLY REDUCE COMPLEXITY AND ENABLE TRANSFORMATION

OUR PROGRESS

Our journey is centred around three phases:

TURNAROUND
Fixing the core of the business

→

TRANSFORMATION
Building capabilities and growing from the core

→

UNLOCK FULL POTENTIAL
Expanding from the core and growing sustainably

Our strategy can be summarised in 10 words:

BUILD BRANDS | SERVE CONSUMERS | REDUCE COMPLEXITY | DEVELOP PEOPLE | GROW SUSTAINABLY

BUILD BRANDS

Following strong growth driven by the Covid-19 pandemic, we have sought to strengthen Carex's leadership position, appealing to both the functional and emotional aspects of the consumer purchase process. Functionally, New Product Development has been centred around the '2 hour protection' innovation, clearly highlighting Carex's advantages compared to its competitors.

This is particularly important in a category with strong private label prevalence. At the same time, we have appealed to the emotional side, with a new 'Through the Line' (seeking both consumer reach and targeted conversion) marketing campaign: 'Life's a handful'. This campaign, which was carefully integrated across both TV and digital, has driven strong awareness, with improved Top of Mind awareness and Consideration scores.

BUILDING THE CHILDS FARM BRAND

In March 2022, we acquired Childs Farm a leader in baby and child personal care in the UK. Product lines include bath and shower, skincare and haircare, and are all anchored in a natural proposition and suitable for sensitive skin. We have taken a 92% stake in the company, with the founder, Joanna Jensen, continuing as a shareholder and a champion of the brand.

Childs Farm has grown rapidly since it started trading in 2011, at highly attractive gross margins, and has established very strong sustainability credentials, through its cruelty-free and vegan products. In July 2022, Childs Farm was awarded B Corp certification.

The Childs Farm brand is highly complementary to our core categories of Baby and Hygiene, and we will, over time, leverage our brand-building capabilities to improve its UK leadership position, while also seeking to capture its significant international potential.

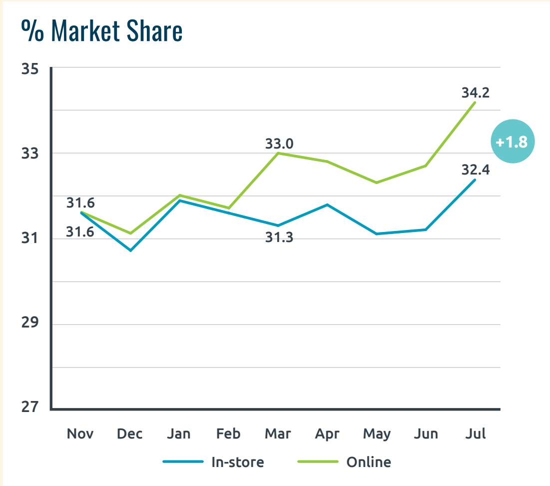
We are making good progress incorporating the brand in to PZ Cussons, and over time we expect to see benefits through shared costs and expertise, particularly in areas of digital, marketing, supply chain and support functions.

SERVE CONSUMERS

SERVING CONSUMERS BETTER MEANS WINNING WHERE THE SHOPPER SHOPS.

To that end, we have driven significant share gains in e-commerce. In Australia, our dedicated e-commerce team have sought to replicate their in-store market share strength, online. We have worked to enrich our data, with virtual shelf basics, optimising activation and promotions. In the case of Rafferty's Garden, one of our larger portfolio brands, online share is now ahead of the offline business, while Morning Fresh and Radiant have similarly seen a step-change in share.

Rafferty's Garden has also better served consumers through expanding its product range, which now includes new wet food pouch flavours and snack products, and a bread sticks collaboration with one of Australia's most iconic brands, Vegemite.



Sources:
Market share data from Nielsen and IRI

REDUCE COMPLEXITY

ACROSS THE BUSINESS, WE HAVE SOUGHT TO SIMPLIFY MANY OF OUR OPERATIONS.

Reducing complexity helps reduce risk and improve resilience in our business, and allows our teams to focus their time, efforts and resources on driving the business forward.

In the UK, we have consolidated our marketing agencies from over 70, to fewer than 20. While aggregated marketing spend is broadly unchanged, working with fewer agencies in this way allows them to partner with us more efficiently, helping drive better returns on our marketing expenditure.

Across our IT infrastructure, we have decommissioned over 60 servers which had become redundant resulting in significant cost and energy savings.

We have also begun the work to move towards a UK-based shared service model for procurement. This will significantly enhance our purchasing capabilities, while at the same time reducing complexity in our processes and operations. Over time, we see further opportunity for 'near-shoring' of certain activities.

The simplification of our Nigeria business has been a major component for our broader drive to reduce complexity. For more information on this, see below.

£18.4m

Gross proceeds
from the sale of Nigerian residential properties

26 to 3

Reduction
in Distribution Centres in Nigeria

Nigeria simplification

A major area of focus has been the simplification of our business in Nigeria where there is currently unnecessary complexity, given its scale. Greater simplification will improve our business processes, allowing our teams to focus on what they do best, while also reducing risk and delivering efficiencies.

We have already made good progress in simplifying our business:

- During the year we realised gross proceeds of £18.4 million through the sale of residential properties.
- We consolidated our supplier base, approximately halving the total number of suppliers serving us.
- We reduced the number of distribution centres from 26 to 3, allowing us to improve working capital, and improved delivery times and customer service rates.
- We merged together a number of legal entities, reducing administrative burden.

Looking ahead, we see further opportunities to simplify, and unlock value from this important part of the PZ Cussons business. A project to improve the efficiency of our usage of SAP is underway, and we expect to begin to see benefits to our processes from FY23.

Read more / **Page 190**

DEVELOP PEOPLE

WE HAVE CONTINUED TO STRENGTHEN OUR LEADERSHIP TEAM.

Through the course of FY22 we successfully recruited for a number of newly created roles, including Chief Marketing Transformation Officer, Managing Director New Business Development, and Chief Sustainability Officer. There has also been significant change below the Executive Leadership level, with a number of Group functions such as Finance, Legal, Governance and Compliance and HR significantly strengthened.

In addition, we have also sought to promote from within, including the appointment of new Managing Directors in our ANZ and UK businesses.

A key part of our turnaround has been to ensure we have the right processes and systems in place to support us in the development of our people and in creating high-performing teams. Focus in 2022 has centred on the launch of a new people system: Workday. This platform gives us the ability to access transparent and accurate people data and insights, in real-time, to better support our teams, while providing for simplified, standardised, global HR processes.

During the year, building on our renewed Purpose, we established new Corporate Values: 'BEST'.

Read more about these and how our teams arrived at these Values / **Pages 18-19**

Talent – Leaders at all levels

At the heart of our talent strategy is disciplined talent management across all parts of PZ Cussons, aimed at defining, finding, nurturing and moving talent for the benefit of our people and our business. Founded on our Workday system, we have launched Performance Goals and Feedback to support our move to a high-performance culture.

We continue to invest in building the future leadership capability needed to return the business to sustainable, profitable revenue growth and nurture a high-engagement, high-performance culture. In FY22 we delivered two leadership programmes for leaders in all our businesses and at all levels: Purposeful Leadership (tied to the launch of our purpose and values), and Our BEST Performance (focused on the fundamentals of great performance management). The programme will continue in FY23. In addition to this, our Non-Executive Directors support our leadership programme by each mentoring high potential colleagues in the business.

GROW SUSTAINABLY

GROWING WITH SUSTAINABILITY IN MIND IS KEY TO OUR PLANS, AND WE ARE PROUD TO BE MAKING GOOD PROGRESS TOWARDS B CORP CERTIFICATION.

It is important that as a business we grow sustainably. This work is becoming a business imperative, and brands' sustainability credentials are, in many parts of the world, increasingly important to the consumer proposition and indeed the corporate brand.

We are therefore pleased to be making good progress in this regard, driving improvements in packaging, using better ingredients, and encouraging consumers to purchase more sustainable products and formats such as refills. Carex refills for example now represents approximately 10% of the value sales of the Liquid Hand Wash category in the UK, with over 3 million shoppers using the product. This means that Carex refills alone are larger than the next biggest competitor in the category. Each pack has around 85% less plastic, equating to around 625 tonnes saved a year. Overall across the Group, 74.4% of our plastic is now recyclable, re-usable, or compostable. Elsewhere, St. Tropez has also driven a number of initiatives. Its Self Tan Mousse packaging for example now includes 30% Post Consumer Recycled (PCR) resin, and it is the first beauty brand to include 40% PCR in its non-aerosol foamer pumps.

Read more about our progress in this important area, as well as our new sustainability targets, in our expanded ESG and TCFD report / **Page 44**

STRATEGY IN ACTION

Shoppability

SHOPPABILITY MEANS:

Win where the shopper shops	Multi-channel distribution
Market-leading execution in store	Accelerate e-commerce

ST.TROPEZ

Expanded into >300 more stores across the US, including Ulta in Target and Sephora in Kohls

MORNING FRESH

Improved share of shelf

Best-in-class within homecare aisle and digital shelves

Outstanding execution of major promotions

SANCTUARY SPA

CHARLES WORTHINGTON LONDON

Growth in customers and distribution points through removal of exclusivity arrangements

STRATEGY IN ACTION

Consumability

CONSUMABILITY MEANS:

Assortment covers target consumers and trends	Innovation breaks down barriers to trial	Product range delivers on usage needs and occasions

ORIGINAL SOURCE

Launch of 'I'm Plant Based', capturing growing trend towards sustainability and natural ingredients

Read more about Original Source on our website / **www.pzcussons.com/investornews**

Healthy and Happy Bathing with Cussons baby

The first Baby liquid soap from Cussons Baby, with new formula which is clinically tested and safe for baby.

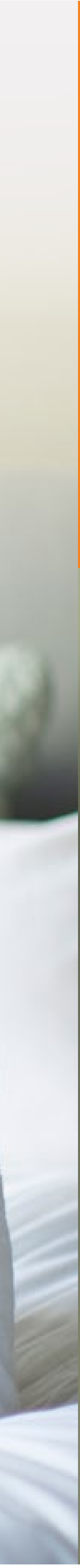
Specially formulated to cleanse and nourish baby skin completely. Fragrance innovations "Moodscents" which helps to stimulate positive moods for baby.

STRATEGY IN ACTION

Attractiveness

ATTRACTIVENESS MEANS:

Competitive offering for consumers	Revenue Growth Management
Value created with customers and distributors	Good, Better, Best portfolios



Premier

Multiple pricing increases throughout the year

Product mix shift towards medicated soaps

Read more about Premier on our website /
www.pzcussons.com/investornews

ST.TROPEZ

Portfolio re-alignment to strengthen price differentiation across the range, from Instant Glow to Luxe

STRATEGY IN ACTION

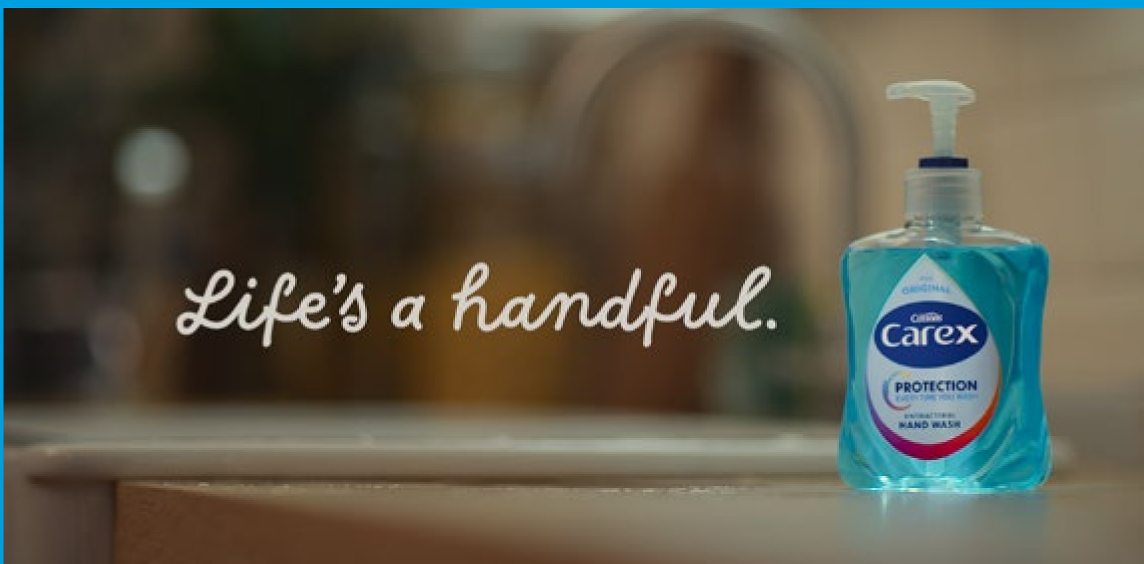
Memorability

MEMORABILITY MEANS:

- Digital first
- Effective activation
- Consistent execution
- Distinctive and purpose-led
- Competitive levels of investment

Step-change in online market share through increased digital investment and focus

Read more about Rafferty's Garden on our website / **www.pzcussons.com/investornews**



'Through the line' marketing campaign

Read more about Carex on our website / **www.pzcussons.com/investornews**

CREATING A DIALOGUE WITH OUR STAKEHOLDERS

OUR APPROACH TO DOING BUSINESS IS FOUNDED ON THE PRINCIPLE OF CREATING SUSTAINABLE VALUE FOR ALL.

Link to 'our strategy in 10 words'

BUILD BRANDS

DEVELOP PEOPLE

GROW SUSTAINABLY

See our Strategy / **Pages 24–29**

	CUSTOMERS AND CONSUMERS	EMPLOYEES
WHY WE ENGAGE	One of our strengths is the ability to build close, long-term relationships with our customer base. Our customers give us their loyalty and trust and in turn we see them not just as customers, but as partners. Our goal is to serve more consumers and do it better than the competition. Understanding consumer trends and shopping habits is crucial to delighting consumers and helping our portfolio to win.	We are one family, working together with one purpose, towards one ambition. We have worked hard to create a supportive environment in which everyone's ideas are valued equally. Our compact size, flat structure and open culture foster genuinely open communication between employees across the Company, regardless of seniority or geography.
HOW WE ENGAGE	We have a strategic partnership with many of our key customers in our established markets, including offering shopper insights, proposing promotions and products and assisting with developing strategies. We listen to consumers to understand their needs and expectations through market research, social media, direct feedback and sales data. We regularly review market data from reliable third party sources to identify and respond to changing consumer habits so we can 'win where the shopper shops'.	We engage with employees regularly through local and global 'Town Hall' meetings, functional webcasts and leadership events. We also act on our employees' views and feedback through an annual global engagement survey – see page 52. Dariusz Kucz, a Non-Executive Director, is our employee engagement champion, with a specific mandate to ensure the Board hears and understands the employee voice. For more information on the activities of our engagement champion – see workforce engagement on page 102.
WHAT MATTERS TO THEM	Both our customers and consumers are increasingly focused on environmental sustainability and transparency in the supply chain. Our consumers continue to seek access to our products through digital channels and this trend has accelerated throughout the Covid-19 pandemic. With the recent trend of inflation and cost of living challenges, our customers and consumers are also extremely focused on value and so we are doing what we can to keep costs in check while also delivering excellent performance from our products.	The annual global engagement survey allows us to understand the core areas that matter to them – strategy, purpose and values, safety and wellbeing, and careers and learning. We have also continued to adapt to new ways of working as a result of the Covid-19 pandemic, and look to understand how different working arrangements impact our employees.

We believe that PZ Cussons thrives in the long term when the interests of different stakeholders are balanced so that they all share in our success.

It is therefore important that we fully understand all stakeholders' priorities, expectations and concerns.

INVESTORS

The Board regards effective communication with shareholders as crucial to understanding and meeting their needs. We meet with them to discuss business performance, to understand their investment objectives and goals and to hear any concerns or advice they might have to help move the Company forward.

The Chair and our Executive Directors periodically meet with our major shareholders. The CEO and CFO personally deliver the Group's interim and final results, with presentations, Q&A sessions and roadshows for our major shareholders. We also organise ad hoc investor events and an Annual General Meeting to provide an opportunity for shareholders to meet the Directors and discuss the year's results. Our Board members and our Company Secretary are always available to our shareholders to listen and respond to any concerns they may have or perspectives they may wish to share.

During the year, we appointed an Investor Relations Director to further strengthen our engagement with the investment community.

Our investors have been focused on how our updated strategy has been performing across the business. Investors continue to engage with us on our capital allocation decisions, and also on our approach to Environmental, Social and Governance (ESG).

DISTRIBUTORS AND SUPPLIERS

We work with distributors and suppliers whose values and ethical standards align with our own – and who we know to be diligent, responsible, honest and fair. We prefer to treat our supplier relationships as long-term partnerships, working with them to create and sustain robust, lasting and mutually beneficial relationships.

The specialists in our procurement function are dedicated to the maintenance of open, dynamic communication with our supplier base. Value alignment is a critical feature of our relationships with our partners and the Board engages directly with them through the CEO and CFO.

Our key suppliers seek stable, long-term and mutually beneficial relationships to remove unnecessary costs, improve product and service quality and promote innovation.

The CFO reviews payment practices and policies and monitors trends in the Company's performance twice yearly, reporting to the Audit & Risk Committee.

COMMUNITIES

Ever since the business was founded in the 1880s, we have recognised the importance of developing good relations with local communities where we operate. We are committed to making a positive contribution to society and to minimising any negative impacts from our operations and we believe that investment in our communities also helps create enthusiastic consumers and advocates for our brands, as well as developing engaged employees.

Wherever we operate, we contribute to local community initiatives, from helping to build schools or roads in some of our developing markets, to donating products or mentoring and supporting local children to improve their life chances.

Our communities are focused on our ESG strategy, in particular on the environmental impact of our products (packaging and formulation) and our carbon emissions.

Many of our communities also continue to be concerned about the cost of living and living standards as we come out of the Covid-19 pandemic and manage rising energy prices. We continue to support the Foodbank in Australia, and The PZ Cussons Nigeria Foundation supported with the construction of a computing centre for a school in Agbor Delta State.

SECTION 172(1) STATEMENT

Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way that he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In discharging their duty this year, the Directors, both individually and collectively, believe they have given due regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. How we consider each is set out below.

a) Long-term consequences
PZ Cussons has a rich heritage of nearly 140 years. Our strategy is to 'Build Brands For Life, today and for future generations'. In setting the direction of the Company, we specifically consider the legacy we leave for generations to come.

This was a key focus when we set our new purpose which has longevity and sustainability at its core.

b) Our employees
We have a diverse workforce spread across our locations in Africa, Asia, Australia, America and Europe – some based in offices, or increasingly from home and others working in our factories or directly with customers and suppliers. We reviewed the global engagement survey to understand the views of our employees and receive regular reports from the Chief Human Resources Officer and our designated employee engagement Non-Executive Director.

Our Directors travel to our markets when possible and hold dedicated employee engagement sessions on such trips.

For more on how we engage with our employees and consider their interests, see Creating a dialogue with our stakeholders on page 38 and Sustainability – People on page 50.

c) Our business relationships
Our most important business relationship is with consumers. We build brands to serve consumers better with Hygiene, Baby and Beauty at our core. We work closely with partners and our joint venture partners and we value our strong relationships with key customers and suppliers.

For more on how we engage with our consumers and partners see Creating a dialogue with our stakeholders on page 38 and Sustainability – Supply Chain on page 69.

d) The community and environment
Sustainability is in our DNA. Our business impacts communities, the environment and the climate through our use of land, procurement activities, carbon emissions and use of plastic, water and energy. We have set ourselves challenging sustainability goals which include our B-Corporation ambitions. We established an ESG Committee of the Board, and appointed a Chief Sustainability Officer to our Executive Leadership Team, to ensure that our decisions are taken with due care for our sustainability goals.

For more information on how we measure our environmental performance, see Sustainability – For life on pages 56–71.

e) Our reputation
The success of our business and our products depends on our reputation with our consumers, customers and suppliers as a business with integrity and dedicated to its purpose.

f) Acting fairly
We are conscious of the need to balance the interests of our different stakeholders fairly, particularly when they are not aligned.

Principal decisions in FY22

The Board considers these and many other factors in all of the decisions it makes, with important decisions explicitly framed in the context of the interests of and implications for all affected stakeholders. In FY22, the Board continued to receive papers that included a summary of stakeholders likely to be impacted by the matter to be discussed and any decisions to be made.

The following demonstrates how these matters were considered in three key decisions taken this year.

Principal decision 1: Launching our BEST Values

Having refreshed our corporate strategy and purpose in FY21, in FY22 the Board worked with our management team to develop a refreshed set of values to aid us on our return to sustainable profitable revenue growth. Our 'BEST' values were developed internally and given careful consideration, balancing and responding to the interests of numerous stakeholders, as set out below.

In making the decision, we considered:

The long-term effect

Our values support our purpose and both reflect and influence our corporate culture which impacts everything from employee engagement, ability to recruit talent at all levels, how our customers, suppliers and consumers perceive our business, and how our shareholders relate to us. Our previous 'CANDO' values served the Company well for many years and the Board was very conscious of the need to develop a refreshed set of values that would support us for the long term. The values of the Company need to endure beyond a 3–5 year financial plan and must be flexible enough to maintain their relevance through a range of different business priorities and macro-economic shifts. Our BEST values reflect this and serve as an important underpin for our purpose, 'for everyone, for life, for good', and our strategy of 'Building Brands For Life, today and for future generations' both of which specifically contemplate our desire to be an enduring part of our consumers' lives.

Affected stakeholder groups

Customers and consumers
Customers and consumers are at the core of our strategy and our values reflect this commitment. Our values focus on maintaining integrity and accountability, driving innovation, reacting with agility to changing consumer needs and leading with ambition and an entrepreneurial attitude. All of this is with the goal of strengthening our bonds with customers and ensuring our consumer is at the centre of everything we do.

Employees
Our business depends on our employees. Not only did the Board consider employees in developing our values, we ensured they were at the heart of the process. The values were developed internally, led by a team of our current and future leaders and very much reflect the voice of the employees and what resonates with them about our strategy and what it means to work at PZ Cussons. In addition to being developed by our employees, our BEST values were then communicated and embedded throughout the Company by employees acting as culture ambassadors. What was important was that the values be launched locally in each market in an authentic way that ensured they would weave into our everyday employee experience. Through a combination of central communications, executive and Board-led messages and local contests and celebrations, our BEST values are being embedded in the organisation.

Investors
Our investors want improved financial performance and a plan for long-term, sustainable growth of both the top and bottom lines. Our BEST values focus on being entrepreneurial, innovative, challenging the status quo and raising the bar on performance.

Distributors and suppliers
Our BEST values place a premium on acting with accountability and integrity, both internally and with our distributors, suppliers and other stakeholders. With our distributors, we will focus on moving at pace to respond to challenges and build better partnerships.

Community
In our values we are BOLD and we set ambitious targets, including in areas like sustainability where our B-Corporation target was based on the idea that long-term, sustainable growth depends on continuing to benefit broader society and the communities in which we live and work. We are also TOGETHER, honouring our family heritage and the importance we place on driving positive change in our communities.

The environmental impact

Sustainability is at the heart of our strategy and purpose and this shines through in our BEST values, which focus on leading innovation to adapt to a changing world and leaving a legacy we can all be proud of. See further detail on our approach to sustainability on page 44.

The impact on our reputation and the need to act fairly

We considered appropriate ways to engage with key stakeholders and to understand their perspectives and priorities, including respecting the commitments we already made and our relationships with partners. We engaged with investors and employees in a series of events to explain our BEST values and understand their perspective.

SECTION 172(1) STATEMENT CONTINUED

Principal decision 2: Formation of ESG Committee

Recognising the importance of ESG across the whole Group and its governance, the Board established the ESG Committee in January 2022 to oversee the Company's ESG strategy and performance targets. The Committee monitors performance against the ESG goals and how PZ Cussons considers, engages with, reports to, and maintains its reputation with key stakeholders.

In forming the ESG Committee, we considered:

The long-term effect	Our purpose is: for everyone, for life, for good. This applies to everything we do and the importance of doing the right thing for the business and the world around us. As part of our strategy we want to ensure we leave the world better than we found it.
Affected stakeholder groups	**Customers and consumers** Many of our customers increasingly understand the impact they have on the environment and take a greater interest in how our products are made and sold. We want to make sure that our customers are well-informed and able to consume our products responsibly. **Employees** We have nearly 3,000 employees around the world and our people define who we are as a business. We want our employees to believe in our purpose and live our values. Having an ESG Committee with an effective engagement approach will ensure our teams remain aligned. **Investors** Many investors are creating portfolios for those companies that have a strong ESG strategy. Having clear targets and reporting against these targets helps to demonstrate the importance we place on ESG. **Distributors and suppliers** As part of our carbon reduction targets, we need to look at our extended carbon footprint from material extraction, manufacture of raw materials, transport, manufacture, distribution, consumer use and disposal at end of life. This allows us to identify pathways for carbon reduction as part of our long-term ambitions to be carbon neutral across the entire Group. **Community** We are committed to achieving positive social change and ensuring that we address the specific needs of the communities where we operate. Minimising our impact on the environment is crucial to the long-term sustainability of our communities.
The environmental impact	A successful ESG framework and strategy will have a positive impact on the environment – on the atmosphere through our carbon emissions and air quality impacts; on the earth through the sourcing decisions we make and the way we manage waste and packaging; and on the oceans through our use of water and the impact of our products.
The impact on our reputation and the need to act fairly	Forming the ESG Committee demonstrates our commitment to our purpose, and enhances our reputation as a business that understands the importance of doing the right thing.

Principal decision 3: Acquisition of Childs Farm

FY22 marked our first significant acquisition since our new management team was formed. We were excited to add an excellent new brand to our Must Win Brands and also to welcome some great new members to our team who will help us build towards delivering our strategy.

In deciding whether to acquire Childs Farm, we considered:

The long-term effect	As we announced at the time of the transaction, Childs Farm holds significant promise for expansion and is only expected to be profit accretive from FY24. It has a strong market following in its home market in the UK but has significant room for growth through greater market penetration, innovation and new product development and possible international expansion. Childs Farm also had excellent sustainability credentials and was well on the journey towards B Corp certification at the time of the acquisition, and successfully achieved B Corp status in July 2022. Funding for the acquisition was also offset by proceeds from the sale of legacy residential properties in Nigeria which reflected the Board's commitment to investment for growth and longevity.
Affected stakeholder groups	**Customers and consumers** One of the main reasons the Board was interested in the Childs Farm acquisition was their focus on the consumer. Founded by Joanna Jensen in specific response to the skin care needs of her own children, the brand has a history of being loved and trusted by parents. The Childs Farm team also had great relationships with key customers in the UK which were complementary to our existing business, and in some cases will help us learn and improve going forward. **Employees** The Board considered employees in two ways when considering the Childs Farm acquisition. Firstly, it reviewed the team at Childs Farm and concluded that we would not just be buying a brand, but adding a team that brought some valued capabilities. When acquiring Childs Farm we did not make any redundancies or exits a condition of the transaction and we have engaged many of the Childs Farm team across our wider portfolio where they are really adding value. For our existing teams, we were conscious that the sustainability credentials of Childs Farm would be a strong demonstration to our employees of our commitments in this area. **Investors** The Board naturally considered growth and profitability, and correspondingly, investor returns, when determining to make the acquisition. We strongly believe in the significant growth potential in the Childs Farm brand and the attractive returns it can generate for investors. Childs Farm sustainability credentials also fit squarely where our investors are leading us. **Community** Childs Farm has long been active in the communities in which it operates and shares core values with PZ Cussons in this regard. Ranging from donations to the NHS which aligned with similar activities of our Carex brand to their support of environmental groups such as Surfers Against Sewage, Childs Farm shared our commitment to having a positive impact on the communities in which we live and work.
The environmental impact	Apart from the prospect of adding sustainable, profitable revenue growth, environmental credentials were a strong driver of our acquisition of Childs Farm. We saw Childs Farm as a leader and innovator in plastic reduction and recycling.
The impact on our reputation and the need to act fairly	The Board considered that the acquisition of Childs Farm would enhance our reputation and demonstrate the strength of our commitment to our strategy and our values.

SUSTAINABILITY

BETTER FOR ALL ESG AT PZ CUSSONS

OUR ESG FRAMEWORK, BETTER FOR ALL, ALIGNS TO OUR NEW PURPOSE: FOR EVERYONE, FOR LIFE, FOR GOOD.

In September 2021 we welcomed our first Chief Sustainability Officer. In the past few months we have focused on ensuring that the way in which we manage, monitor and improve our environmental, social and governance (ESG) impacts aligns to our purpose and delivers better results for everyone. This meant developing a new way of understanding our impacts, informed by what our stakeholders tell us matters, setting new targets and developing new governance structures.

We have created a shared ESG ambition for the business that reflects local market needs and context as well as addressing stakeholder expectations. This ambition is informed by an analysis of our material and important ESG issues as communicated to us by our different stakeholder groups.

Our ESG framework, Better For All, aligns to our new purpose: for everyone, for life, for good. Our purpose sets out why we are here, and what we do, and our ESG strategy will help make sure that everyone, whatever their role in the business, understands how they can help us to achieve it.

In 2021, we set out our ambition to certify our businesses as B Corps by 2026. We are proud that Childs Farm, a subsidiary of PZ Cussons, is the first of our businesses to achieve B Corp certification, receiving this in July 2022. Our ESG strategy will provide operational focus and guide the business on where our efforts and investment should be focused to help us achieve this goal. The KPIs we set as part of the strategy will support our B Corp certification journey and allow us to make meaningful progress across the different dimensions of our ESG strategy over the next five years. The B Corp framework informs our strategy, and certification will provide a valuable signal to stakeholders that we are focused on the right outcomes.

We have set new ESG targets for the business and will set more in FY23 as we continue to build our strategy. These are designed to be stretching enough that we can demonstrate real progress to our partners and stakeholders, but also to reflect where we are today, and the progress we have already made in many of these areas.

Better For All

Read more / **Pages 46–71**

Improving consumer awareness of responsible consumption

In the UK, both our Carex and Original Source products have seen packaging innovation to encourage more responsible usage by consumers.

Read more / **Pages 49 & 57**

The United Nations Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs), and the targets associated with them, offer a blueprint for achieving a more peaceful and prosperous world by 2030. To deliver the SDGs, businesses must focus their efforts where their actual and potential impact is greatest. In line with this, we have identified the SDGs where we can have the greatest impact as a business, and the specific targets aligned to these goals that are most relevant to us and our activities. This report shows our progress towards these goals and what we are doing both by ourselves and in partnership with others to achieve them.

Goal 3. Good Health and Wellbeing:
Ensure healthy lives and promote wellbeing for all at all ages

Goal 4. Quality Education:
Ensure inclusive and equitable quality education and promote lifelong learning for all

Goal 8. Decent Work and Economic Growth:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 12. Responsible Consumption and Production:
Ensure sustainable consumption and production patterns

Goal 13. Climate Change:
Take urgent action to combat climate change and its impacts

Goal 14. Life Below Water:
Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15. Life on Land:
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

Goal 17. Partnerships for the Goals:
Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development

SUSTAINABILITY CONTINUED

MANAGING OUR ESG IMPACT: OUR ESG FRAMEWORK

Better for all is our new ESG framework. This sets out how we will manage and report on our different social and environmental impacts.

We have three focus areas which align to our corporate purpose, supported by new KPIs that we have set. These are highlighted and discussed in the pages that follow.

FOR EVERYONE

Our impacts on people:
Through our products, our employees and the communities we serve.

This addresses our impact on people, through the products we sell, our employees' safety and wellbeing and the communities that we serve.

For more information / **Page 49**

FOR LIFE

Our environmental impacts:
On the atmosphere, the earth and the oceans.

This addresses our environmental impacts: on the atmosphere through our carbon emissions and air quality impacts; on the earth through the sourcing decisions we make and the way we manage waste and packaging; and on the oceans through our use of water and the impact of our products.

For more information / **Page 56**

FOR GOOD

Our behaviours as a business:
How we buy, sell and operate through our value chain for future resilience and growth.

This addresses how we behave as a business and the decisions we make, including the way we market and sell our products, our management of our supply chain, ESG and corporate governance.

For more information / **Page 68**

MATERIALITY

In FY22, we commissioned a materiality review to explore and understand our most important social and environmental impacts and to understand how our different stakeholder groups – customers, consumers, suppliers, employees, and investors – viewed these.

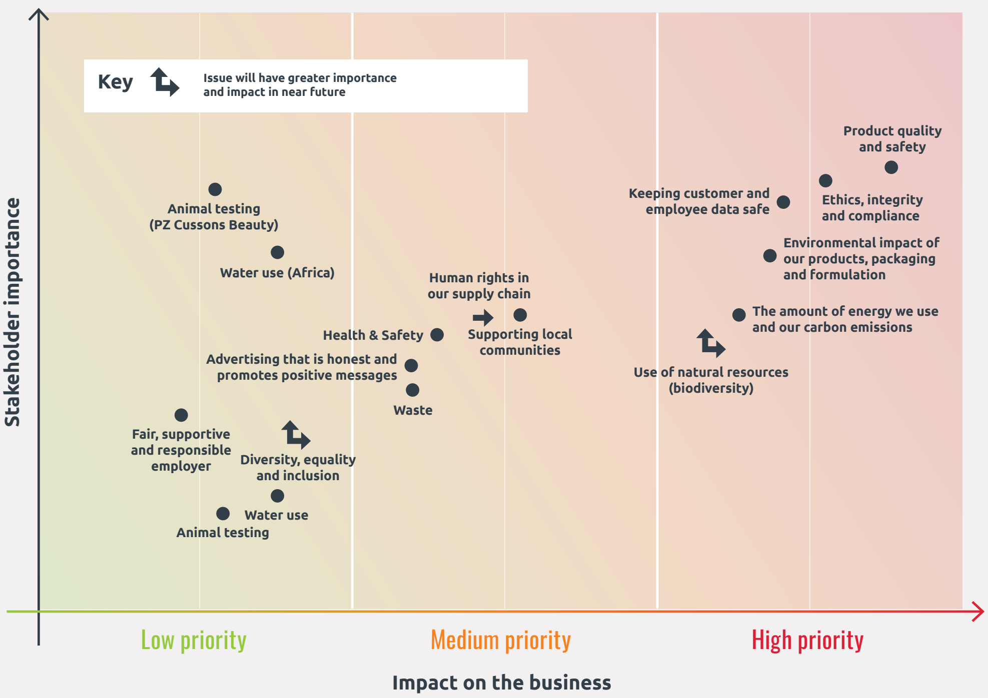
Materiality is an important part of engaging with our stakeholders and ensuring that their concerns are reflected in our approach to sustainability, the issues we focus on and the goals that we set. The materiality review also helped us to define KPIs that will enable us to deliver the optimum social and environmental impact for our global and local stakeholders.

We conducted interviews with different stakeholders, and used these, together with an extensive review of sustainability frameworks and the competitor landscape, to develop a list of our most important social and environmental issues. We then distributed a short survey asking respondents to rank and prioritise these issues. We received 4,389 responses to the survey from across our geographic areas of operation.

Although there were some differences between the countries where we operate, stakeholders consistently identified product quality and safety, the need to keep data safe, and ethics and integrity as important. These are foundational elements of our strategy and core to how we operate as a business. The environmental impact of our products, particularly packaging and formulation, and our carbon emissions, were also identified as priorities, while our use of natural resources and impact on biodiversity is becoming increasingly important.

The insights from the materiality analysis have informed our ESG strategy and targets, and will continue to shape our activities at a global and country level.

Materiality Matrix



SUSTAINABILITY CONTINUED

MANAGING OUR ESG IMPACT: OUR GOVERNANCE

Responsibility for ESG sits at the Board level. The Executive Leadership Team is responsible for approving the strategy, and monitoring our progress towards our ESG KPIs.

In FY22, we established our Sustainability Steering Committee, which meets monthly, and reports to the ELT. The Committee's role is to monitor progress towards our goals and oversee the communication of this progress to internal and external audiences. The Committee oversees the delivery of the different components of the ESG strategy at a central and market level and ensures that plans are in place at a business unit and global level to support the achievement of our KPIs. The Committee is chaired by the Chief Sustainability Officer, and includes senior leaders from HR, R&D, supply chain, marketing, finance and a sustainability leader from each of our business units.

In FY23, and beyond, it will also review data collected on a quarterly basis tracking progress towards our ESG KPIs. We are expanding cross-functional participation and sharing practice within and across our business units and local teams are responsible for ensuring that each country develops appropriate plans and activities to help us achieve our KPIs.

In January 2022, the Board also established the ESG Committee, to approve our ESG strategy and any related publicly reported measures and performance targets. The Committee monitors performance against the ESG goals and how PZ Cussons considers, engages with, reports to, and maintains its reputation with key stakeholders. The Committee is attended by the whole Board and chaired by the Chair of the Board. Additional information is set out in the ESG Committee report on page 116.

OUR ESG FRAMEWORK FOR EVERYONE

We are committed to providing high-quality and safe products to our consumers and customers and we regard quality and consumer safety as a fundamental business responsibility.

Aligning to the SDGs

Our products

Product quality and consumer safety are absolutely critical to building brands that consumers trust and use for the long term.

We focus on creating products that deliver functional and wellbeing benefits to our consumers and that meet the growing consumer desire for more sustainable products.

We have invested consistently in assuring product quality and consumer safety throughout our value chain. We apply robust management systems and the latest science to ensure that our products are safe for consumers and consistently deliver the functionality that consumers demand.

Our main manufacturing sites are accredited to ISO9001 for quality.

We use ISO10377, the standard for consumer safety, to assess and improve our performance and we measure ourselves regularly against the 12 pillars of the standard.

OUR AMBITION

Inspire responsible consumption and disposal by adapting our pack communication so consumers make informed choices

CASE STUDY

Improving consumer awareness of responsible consumption

In the UK, we are using refill pouches for Carex products to encourage consumers to refill and reuse their plastic pump bottles at home. In FY22 we commissioned a new manufacturing line to allow us to manufacture these ourselves. The refills have clear messaging for consumers on the packaging highlighting how much plastic they save by buying a refill rather than a new pump bottle.

We have also included a visible 'snip to recycle' dotted line on the pouches showing consumers where and how to cut the pack to remove the plastic spout, which makes the refill fully recyclable at selected supermarkets.

Read more about refill packs on our website / **www.pzcussons.com/investornews**

SUSTAINABILITY CONTINUED

FOR EVERYONE CONTINUED

CASE STUDY

The EcoBeauty Score Consortium

In FY22 we joined other personal care and cosmetics companies as founding members of the EcoBeauty Score Consortium, an industry-wide coalition that seeks to help consumers make sustainable choices through providing environmental impact assessments and scores in a way that is clear, transparent and easy to understand.

This meets growing consumer demand for information about the products they buy and the impacts of formula, packaging and usage. From 2023 onwards, we and other members will begin to publish this information to support consumer in their purchasing choices.

Our people

We have nearly 3,000 employees around the world and our people define who we are as a business.

Our employees, management and Board have worked together to define our purpose – 'For everyone, for life, for good' and capture our BEST values – Bold, Energetic, Striving and Together. These values have been launched across the business and we are bringing them to life through our people processes, focusing on creating a high-engagement culture, releasing high performance and growing compelling career paths to attract, retain and develop the most talented and capable people. We have launched Workday as a world-class, single people system to underpin this transformation.

Read more about our Values / **Page 18**

Health and safety

We are committed to delivering globally consistent and high standards of health and safety for all of our people. The ELT and Board scrutinise our performance and compliance with regulations in the countries where we operate, supported by health and safety specialists who monitor our operations. Health and safety is everyone's responsibility and we encourage employees to identify and report hazards or near misses.

In FY22, all our manufacturing operations were accredited to ISO45001. Our continuous improvement (CI) programme in our factories aligns with ISO45001 and has been instrumental in improving our performance through the early identification of the leading health and safety issues, allowing us to address hazards before they escalate into actual incidents. We also launched a new initiative focused on improving safety by challenging the unconscious or learned behaviours that contribute to workplace accidents.

In FY22, we improved our AAIFR performance by 4% (from 1.14 to 1.09 per 200,000 working hours). Unfortunately we had 2 additional LTIs vs FY21 and as a consequence we have initiated a behaviour focused programme as that was identified as the root cause of this increase.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Change from 2011-12 baseline	Change year-on-year
Fatalities	0	0	0	0	0	0	0	0
LTI/yr (Lost Time Incidents)	15	13	8	3	2	4	(29)	+2
LTIFR (Lost Time Incident Frequency Rate)	0.29	0.26	0.13	0.05	0.04	0.08	(0.33)	+0.04
AAIFR (All Accident Incident Frequency Rate)	3.09	2.17	2.13	1.45	1.14	1.09	(0.95)	(0.05)

Wellbeing

As Covid-related safety restrictions began to relax globally during FY22, the wellbeing of our employees remained central to our approach. With the easing of restrictions, we are now starting to see a transition to true hybrid ways of working.

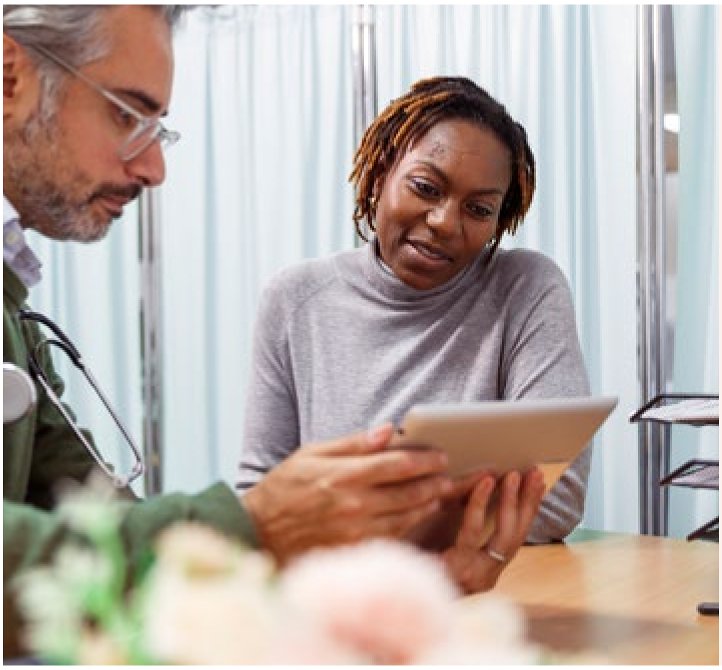
Our markets have proactively led a wide range of health and wellbeing activities relevant to their markets and people. While ensuring end market flexibility, the plan is to establish a Global Wellbeing vision and framework that will ensure there is a level of consistency across the markets and prevent any teams or individuals from feeling excluded.

The wellbeing of our people is currently measured through our annual global engagement survey and we are pleased that this is an area where we continue to observe improvement.

CASE STUDY

Supporting hybrid working and wellbeing in Australia

In Australia, we encouraged the transition to hybrid working with the release of our hybrid working playbook which provides guidance for managers and employees to ensure the safety and wellbeing of all our colleagues and provides support with effective ways of remote working and face-to-face collaboration. We also offered all our colleagues the opportunity to be accredited in mental health first aid, through a training programme that develops mental health skills. Employees were also given additional paid leave to recognise their efforts during lockdown.



CASE STUDY

Supporting employee health and wellbeing in Kenya

Over the course of FY22, our Kenyan business has run a number of initiatives to support and improve employee health and wellbeing. We ran a programme in partnership with Metropolitan Hospital on Covid-19 and vaccination awareness, and provided vaccine appointments, which led to a 100% vaccination rate among participating employees. We also partnered with Aga Khan hospital to provide an employee wellness day, providing medical checks and nutritional advice. Employees are also supported through an in-house mental health awareness programme.

SUSTAINABILITY CONTINUED

FOR EVERYONE CONTINUED

Global engagement survey

In FY22 we conducted our second employee engagement survey, building on what we had learned in previous years. 93% of our employees responded, and our engagement scores remained stable at 72% whilst our wellbeing score improved to a very encouraging 80%.

Our identified areas of focus for improvement going forward are around total reward and its communication and how we can further enhance employee recognition.

	% favourable score	
	FY21	**FY22**
Wellbeing	78%	80%
Company confidence	77%	77%
Work	75%	77%
Culture	70%	74%
Leadership and management	68%	72%
Learning	54%	63%

Culture and purpose

Our culture is what sets us apart from the competition and makes us unique. We are keen to not lose what makes our organisation special, recognising the need to build on our rich history and ensure our culture is right today and for the future.

We launched our new strategy in March 2021 and this was supported by a new Company purpose – 'for everyone, for life, for good'. In FY22 we launched a new set of corporate values to support this purpose.

For more information on our Values / **Page 18**

Diversity

Our multi-local footprint ensures that we are a diverse business by nature, but we recognise that a diverse workforce needs an inclusive environment to flourish.

Out of the learnings from our recent engagement survey we are continuously evolving our process of managing diversity and culture of inclusion, aligned with the local nuances where we operate.

As new hybrid ways of working become established, we remain committed to our Inclusive Working principles of collaboration, development and delivery, wellbeing and inclusion. This enables employees to work in ways that allow them to be productive and effective while also thriving.

Communities

We are committed to achieving positive social change and ensuring that we address the specific needs of the communities where we operate. Our Code of Ethical Conduct sets out the procedures and principles that ensure that any charitable donations are made to organisations that are free from political affiliations or conflicts of interest. In FY22, in response to the unfolding humanitarian crisis in Ukraine, we donated 200,000 units of product including Carex hand gel and hand wash, Morning Fresh dish liquid and Original Source soap products to two local Polish charities assisting Ukrainian people and refugees.

CASE STUDY

Australia: Support for Foodbank Australia

Our partnership with Foodbank Australia is now in its fifth year. Foodbank supports the 1 in 6 Australians who do not have enough to eat, the 1.2 million children who go hungry each year and the 1.3 million people who now struggle to meet their food needs as a result of the pandemic's impact on their livelihoods.

We provide donations, a purchase programme and volunteering. Our Rafferty's Garden brand has donated over 38,000 meals and over 20,000 kilos of Morning Fresh and Radiant products have also been donated. These donations go to areas affected by fires and flooding – a growing problem in the region – and to alleviate food insecurity.

CASE STUDY

Nigeria: Cussons Baby Cares Campaign

In Nigeria, Cussons Baby has partnered with hospitals to help new and expecting mothers learn more about caring for babies and children. The programme is designed to help them feel confident about parenthood and in particular looking after their babies' health and hygiene.

We provided product samples and education materials, and work in partnership with healthcare providers in hospitals, including nurses and midwives. We reached 412,000 mothers through our hospital programme and through the use of digital tools we were able to reach 10.2 million mothers across the country.

SUSTAINABILITY CONTINUED

FOR EVERYONE CONTINUED

We focus on creating products that deliver functional and wellbeing benefits to our consumers and that meet the growing consumer desire for more sustainable products.

CASE STUDY

Indonesia: Back to School programme

In Indonesia, the PZ Cussons team have developed a programme focused on supporting children to prepare for the return to school, as schools reopen after the pandemic. The programme is designed to teach them about personal hygiene, including the importance of handwashing, and to educate them on the responsible disposal of plastic waste, and how to use less of it. The programme runs in 26 schools, and has reached 12,500 children so far.

CASE STUDY

Beauty: Hestia partnership

Our Beauty business has an ongoing partnership with Hestia, a UK charity that supports adults and children in crisis and which runs domestic abuse prevention work across the country.

We provide products and donations to Hestia, which support activities and charities for children during the school holidays and animal therapy in Hestia refuges. We also provide opportunities for employees to fundraise and volunteer for Hestia at a variety of different events.

SUSTAINABILITY CONTINUED

OUR ESG FRAMEWORK FOR LIFE

We address all our environmental impacts with our purpose in mind. This means minimising our impact on the earth and oceans through: managing air quality and reducing our carbon emissions, the sourcing decisions we make, the way we manage packaging, waste and our water use.

Aligning to the SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

We measure, report and manage our performance in the areas that we know are most important to the business, and where we have the biggest impact, including carbon emissions, water usage and landfill waste, plastic consumption and the sustainable sourcing of palm oil and paper.

All of our operating sites comply with local regulations and our Group standards. In addition to this our main operating sites are certified to ISO14001, with our site in Kenya planning to achieve certification in FY23.

We operate a continuous improvement (CI) programme in our factories which reduces our water use, carbon emissions and landfill waste.

In FY22 we conducted a review of our environmental targets as part of our broader review of our ESG strategy. We also revised our supplier code of conduct to make sure it includes all the principles we want our suppliers to adhere to and developed a new sustainability charter that stipulates the principles we will follow in our own operations. This year, we are reporting progress against our previous goals for the last time, and presenting our new environmental KPIs.

Plastic and packaging

In FY22 we reviewed our packaging commitments. These were developed in 2018 and set targets for 2025 around plastic reduction, increasing the amount of post-consumer recycled plastic (PCR) and moving towards 100% renewable, compostable or recyclable packaging. While we have made good progress in areas such as light weighting and moving to flexible formats, a combination of business factors meant that the targets we had set were not going to be achievable in the light of our new business strategy. We therefore have reviewed our plastic commitment taking into account our current portfolio and future plans and have set long-term targets that we feel are stretching but achievable.
More on the next page.

Previous target	FY22 actual	Comments
Packaging		
25% reduction in use of plastic based on g/kg of finished product. Target date of FY25 vs baseline of 2018.	**24% increase vs baseline**	The main reasons for the rise in reported plastic intensity were: • The disposal of businesses that used less plastic packaging per kg of product • Changes in product mix, particularly as a result of Covid-19, which saw a shift towards smaller pack sizes that use proportionately more packaging per weight of product, and a reduction in sales in our low-plastic intensity businesses in Nigeria.
30% of plastics will be from recycled sources. Target date of FY25.	**2.6% packaging with PCR content**	This is a further small improvement versus the previous year (2.4% in FY21). In common with many other businesses in our sector, the price and availability of PCR plastics in our market – especially those in Africa – is slowing down our adoption of PCR in our packaging.
100% of plastic reusable, recyclable or compostable. Target date of FY25.	**74.4%**	Our UK and Australian businesses are performing well. We are working to increase the recyclability of our packaging on a component level and as new technologies enter the market such as recyclable pumps and flexible packaging we will be able to improve our performance further.

Following our review, we have established new targets which reflect our portfolio and business strategy and our desire to move away from plastic and explore opportunities beyond plastic. We will continue to review these and will report against them annually. These goals are subject to periodic adjustment to reflect acquisitions, disposals or other significant changes in our business and we reserve the right to re-state them if this is required.

During the year we have worked to make our plastics governance and reporting more robust. Further updates are planned during FY23 in which we will update our databases to track all packaging materials including papers, plastics, metals and glass. During the year we have also set up systems to manage the new UK plastics tax and are working towards compliance with the Extended Producer Responsibility regulations.

3 million UK shoppers now refill their Carex bottles, which is 10% of all liquid hand soap sold

NEW TARGETS

Reduce virgin plastic in our packaging by one third by 2030 from a 2021 baseline	Ensure 100% recyclable, refillable or compostable packaging by 2030	Use 100% certified or recycled paper by 2025

In **Australia and New Zealand**, we have launched a series of product offers that provide consumers greater choice in reducing their plastic footprint, including a refillable aluminium 'bottle for life' for Morning Fresh, and Morning Fresh refills which use 70% less plastic compared to 2x 400ml bottles. We redesigned our core Morning Fresh range to use a new bottle that uses 13% less plastic, which will save over 150 tonnes of plastic a year, and launched a new laundry liquid refill for Radiant which uses 60% less plastic compared to a 2L bottle. We also launched a new Morning Fresh sub-range called Clean & Green. Clean & Green is our first offer with both 100% biodegradable actives and a bottle made from 100% recycled materials.

In the **UK**, Carex continues to lead the hand wash category in terms of sustainability – three million UK shoppers now refill their Carex bottles, which is 10% of all liquid hand soap sold. This initiative has saved 22 million pump bottles from disposal, which equates to a reduction in plastic of 625 tonnes. This approach is also being adopted for other brands, including Original Source and Imperial Leather. In early FY23, we launched a reusable aluminium bottle for Original Source, sold with shower gel refill pouches that use 85% less packaging than the equivalent bottles.

SUSTAINABILITY CONTINUED

FOR LIFE CONTINUED

Plastic and packaging continued

In **Indonesia**, we developed a paper tray for Cussons Baby gift boxes, which resulted in the removal of 175 tonnes of PVC. We also reduced excess plastic packaging in the wrappers of Cussons Baby Wipes which reduced plastic usage by 13 tonnes, and were able to remove a further eight tonnes of plastic by changing the dimensions of our stand up pouches.

In **Kenya**, changes to our product packaging saved around 17 tonnes of plastic while elimination of shrink wrapping saved a further 25 tonnes of plastic.

In **Nigeria**, we introduced a lightweight bottle for our Morning Fresh and Camel brands, which resulted in a reduction of 48 tonnes of plastic, and we are trialling a monolayer film for Premier Care Natural soap wrappers which, if successful, will result in plastic savings of around 29 tonnes.

Within our **Beauty** division, our St. Tropez Self Tan Mousse packaging now includes 30% PCR resin, some of which is sourced from Prevented Ocean Plastic (POP). We plan to extend this to our other beauty brands over the next few years. We are also helping lead the way on more sustainable pumps by including 40% PCR in our non-aerosol foamer pumps, and planning to change to a single material pump by 2025, which will mean the whole pack is fully recyclable. 90% of our PET bottles and 50% of our tubes now include a minimum of 30% PCR, and we expect to reach 100% by 2025. We have also made progress in reducing plastic, including a 60% reduction in our re-launched Sanctuary Spa jar components, resulting in a reduction in plastic usage of 17 tonnes per annum. For Charles Worthington Shampoo and Conditioner Takeaways, we have moved from plastic bottles to stand up pouches, which has resulted in a 75% plastic reduction, while St. Tropez's Grad Tan tube range achieved a 25% reduction.


CASE STUDY

Childs Farm: sustainable personal care solutions

Childs Farm uses naturally originating ingredients to produce skincare and toiletries for babies and children. We acquired Childs Farm in March 2022, in part because we admire the way in which they do business and see a strong fit with our own approach to sustainability.

Childs Farm uses a number of innovative packaging solutions built on the principles of reduce, reuse and recycle. Childs Farm uses bottles made using 100% Prevented Ocean Plastic (POP) which uses discarded plastic bottles picked up by plastic collectors in areas at risk of ocean plastic pollution. These are used to provide certified traceable recycled plastic, which also supports local communities and economies. By using POP we reduce harm to marine life and ecosystems, provide support to local communities and economies, and reduce greenhouse gases by 80% compared to virgin plastic. Childs Farm also uses an innovative new metal-free pump, meaning that the pump can be recycled, unlike most pumps.

Over the past year, Childs Farm has reduced its carbon footprint by nearly 19%, reflecting efficiencies in the frequency and size of deliveries to retailers, changing the way products are packaged and improving the way in which units are stored and shipped, so that we can reduce shipping and storage volumes and costs.

Childs Farm®

Read more about
Childs Farm on our website /
www.pzcussons.com/investornews

SUSTAINABILITY CONTINUED

FOR LIFE CONTINUED

Carbon and climate

Reducing carbon emissions is a priority for our business.

Through our continuous improvement programme in our factories, we continue to incorporate energy reduction initiatives across our sites. In FY22, we reduced our energy consumption by 15% and our emissions by 17% per tonne of production, compared to our target of a 3% year-on-year reduction.

To deliver these improvements, we have implemented a number of initiatives including:

- improved utility plant operating practices, ensuring that steam is only used when required, leading to boiler gas consumption savings of 5%
- better maintenance practices that have led to a 36% reduction in the consumption of refrigerants
- downsizing and installation of variable speed drives on borehole pumps in Nigeria
- energy reduction at our joint venture edible oil refinery in Nigeria with the commissioning of a new, more efficient and reliable chiller
- engaging with security to shut off out of hours electricity supplies to offices in Indonesia

8% of our energy is now purchased on renewable tariffs. The Group absolute carbon footprint increased marginally during FY22 vs FY21 due to restrictions in the supply of natural gas in Nigeria which meant we had to switch to diesel for significant periods and the increased demand on sites where we generate electricity, also in Nigeria. We have measured our Scope 1 and 2 emissions (direct emissions associated with our operations and the energy we purchase) for several years. We are working on plans to reduce these in line with science-based targets by 2030, as set out in our new target.

We continue to build our understanding of the footprints of our individual products so that we can apply the learnings to other products. To this end we have joined the EcoBeauty Score Consortium which aims to develop an industry-wide environmental impact assessment and scoring system for cosmetics products, as mentioned on page 50.

We continue to participate in the Carbon Disclosure Project (CDP), reporting on our Scope 1 and 2 emissions. In FY21, we were graded as B- for the second year in a row. The main areas where we lost points were on climate risks and opportunities management, verification of our Scope 1 and 2 emissions, setting science-based targets and improving our understanding of our Scope 3 footprint.

TARGETS

Net zero emissions by 2045 across Scope 1, 2 and 3	Carbon neutral in our operations by 2025
Scope 1 and 2 emissions reductions aligned with SBTi[1] methodology (from 2021 baseline) by 2030	Scope 3 targets calculated, validated and agreed by 2023

1 Science Based Targets initiative

	FY22 Current reporting year[4]			FY21 Previous reporting year[1, 2, 3, 4]		
	UK	Global	Total	UK	Global	Total
Energy consumption used to calculate emissions (MWh)	6,203	195,614	201,817	6,209	187,218	193,427
Emissions from activities for which the Company owns or controls including combustion fuel & operation of facilities (Scope 1) (tCO_2e)	1,141	42,397	43,539	785	40,324	41,110
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 market-based) (tCO_2e)	0	6,340	6,340	0	7,874	7,874
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 location-based) (tCO_2e)	708	6,340	7,048	804	7,874	8,678
Total gross Scope1 + Scope 2 market-based emissions (tCO_2e)	1,141	48,738	49,879	785	48,198	48,984
Net Scope 1 & Scope 2 market-based emissions after applying purchase of carbon compensation (tCO_2e)	0	48,738	48,738	0	48,198	48,198
Intensity ratio tCO_2e (net Scope 1 + 2 market-based) /£100,000 revenue	0.68	11.53	8.46	0.18	27.02	8.12
Intensity ratio $kgCO_2e$ (net Scope 1 + 2 market-based) /Tonne of production	21	113	103	14	139	121

1. Previous year data restated in line with the recommendations made from our external GHG inventory verification.
2. Manufacturing divestments in Australia and Nigeria have necessitated re-statement of our previous year data to ensure like-for-like comparisons with current reporting year.
3. Emissions from activities for which the Company owns or controls including combustion of fuel & operation of facilities (Scope 1) (tCO_2e).
4. Information assured and verified by Verco Advisory Services Limited.

We follow the UK Government environmental reporting guidance including the Streamlined Energy & Carbon Reporting (SECR) requirements. In addition, we have also used the GHG Protocol Corporate Accounting and Reporting Standard Revised Edition. Our emissions are calculated using the UK Government GHG Conversion Factors for Company Reporting 2021 & 2022 and the IEA 2019 factors for overseas electricity.

Our operations in the UK, Australia and New Zealand are now carbon neutral. We have done this through a combination of increasing energy efficiency, moving to renewable electricity and purchases of carbon offsets.

In FY22 we set ambitious new carbon reduction targets for the business, reflecting our ongoing commitment to addressing the climate crisis through our operations. In FY22 we built on the work done in the previous year and conducted a comprehensive Scope 3 measurement, looking at our extended carbon footprint – from material extraction, manufacture of raw materials, transport, manufacture, distribution, consumer use and disposal at end of life. This is allowing us to identify pathways for carbon reduction and determine how we will achieve our ambition to be carbon neutral by 2025 and net zero by 2045.

By the end of FY23 we aim to have calculated, validated and set Scope 3 reduction targets for the business, which we will publish in the FY23 Annual Report.

SUSTAINABILITY CONTINUED

FOR LIFE CONTINUED

Carbon and climate continued

Waste

Previous target	FY22 actual	Comments
3% year-on-year reduction in waste to landfill.	22% reduction	Expressed in kg of landfill waste generated per tonne of finished product.

In FY22 we reduced our landfill waste per tonne of production by 22% and also reduced our absolute amount of landfill waste by 4%. We aim to reduce the amount of solid waste sent to landfill year-on-year, and all our factories and locations have waste reduction programmes in place. We study and map our landfill waste and then use a standard waste hierarchy tool to identify improvement actions, which are implemented via our CI programme.

NEW TARGET

By 2030, we aim to send zero waste to landfill, in those countries where appropriate infrastructure exists

Water

Previous target	FY22 actual	Comments
3% year-on-year reduction.	25% reduction	Expressed in m^3 of water consumed per tonne of finished product.

In FY22 we reduced our water consumption per tonne of finished product by 25% and also reduced absolute water consumption by 8% against FY21.

In some of our markets, water is a scarce resource. We also use significant volumes of water in our product manufacturing. Reducing the amount of water we use is important, and we do this through our CI programme.

NEW TARGET

By 2030 we want to have reduced our water intensity by 30% from our FY21 baseline

We intend to make a Water submission to the Carbon Disclosure Project (CDP) for FY23, with a view to full graded submission annually thereafter

Water intensity is defined as the water use per tonne of production net of formulation water.

Case study

Water effluent treatment in Kenya

Our Kenyan business installed an effluent treatment plant that treats all effluent which is then reused for irrigation and in wash rooms, the first of its kind in Kenya. This has resulted in a 20% reduction in water consumption, and no liquid discharge from our manufacturing site into the municipal sewer system.

Biodiversity

We purchase and source raw materials that, in some cases, impact on biodiversity and forests. Our most significant purchases are paper-based materials and palm oil. Paper and cardboard are used in shipping cartons, pallet layer boards and some primary packaging and labelling.

In FY22 we made a commitment to use 100% certified or recycled paper by 2025, from a current level of 49%.

Reaching our palm oil target means using producers that do not contribute to deforestation, peat or exploitation (NDPE). We maintain our commitment to 100% NDPE compliant producers. Data on our performance is available in the reports published twice a year on our website. We continue to monitor our performance using Starling satellite data. Our 2023 Palm Oil Action Plan focuses on supplier engagement, transformation and independent verification.

We continue to work with partners including Earthworm Foundation to support the Forest Conservation Fund with investment in conservation projects in Indonesia which are helping to secure standing forest, protect biodiversity and reduce carbon impacts in our supply chain.

NEW TARGETS

We have made a Forestry submission to the Carbon Disclosure Project for the first time for FY22 with a view to submitting annually thereafter

We are renewing our commitment that 100% of our palm oil will come from independently verified, NDPE compliant producers by 2023

100% of our paper will be certified or recycled by 2025

Read more about Palm Oil Targets on our website / **https://www.pzcussons.com/wp-content/uploads/2022/07/Palm-Oil-Action-Plan_July2022_v2.pdf**

Palm oil*

99% of our crude palm oil and palm kernel oil is supplied by direct suppliers with NDPE commitments aligned with ours.	98% of palm oil derivatives are supplied by suppliers with NDPE commitments aligned with ours.	99.6% of the CPO/PKO we use is fully traceable to mill.	93% of the derivatives we use are fully traceable to mill.

Case study

Supporting the Mului tribe in Indonesia

The Mului community in Borneo, Indonesia, has been fighting for the right to manage its lands and protect it from mining and logging corporations for decades. Since 2020, PZ Cussons has worked in partnership with the Forest Conservation Fund to support the Mului people to protect the 7,200 hectares of pristine rainforest where they live and help them develop forest-friendly businesses to ensure a thriving future for them. In 2022, the vice governor of the province delivered the tribe their certificate of land title, which proves their formal rights to manage their ancestral lands. At the ceremony marking the award, we provided personal care products to the village to celebrate the event.

Photograph of Pak Zidak, leader of the Mului people. © Forest Conservation Fund

* (All above from Palm Oil Action Plan July 2022.)

SUSTAINABILITY CONTINUED

FOR LIFE CONTINUED

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

PZ Cussons supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) that businesses address and report on the financial impact of climate change on their business.

Introduction

At PZ Cussons, we recognise that climate change requires us to act. We need to ensure we protect and prepare ourselves as a business, as well as reduce our own contribution to global greenhouse gas emissions. To achieve this, we understand it is key that our internal and external stakeholders understand the potential risks and opportunities that climate change presents for our operations and strategy, and how we are managing this.

In this context, and in accordance with UK regulatory requirements, we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This section outlines our progress to date and our planned activities for FY23.

The Board has approved this TCFD statement and considers it to comply with all the recommendations and requirements set out in the relevant regulations, save for quantification of the financial impact and targets which are currently in development within the Company as we evolve our tools and metrics to report against these requirements. We anticipate reporting against these matters in our next TCFD statement to be included in our FY23 annual report and accounts.

Climate risk governance

Sustainability is a key pillar of PZ Cussons' strategy. At the end of FY21 the Company had announced our ambition to certify all our businesses as B Corps by 2026. A Chief Sustainability Officer was appointed in September 2021 to have overall leadership of the delivery of this strategy under the supervision of the Board. During FY22 we conducted a materiality assessment and climate change was identified as a key component in our sustainability strategy.

The sustainability strategy is overseen by an ESG Committee comprising of the Board with the following responsibilities:

1) Reviewing, approving and discussing PZ Cussons' sustainability strategy, goals and implementation plans, including the plans to achieve a B Corp certification by 2026.
2) Through the Remuneration Committee, to establish a link between ESG outcomes and the LTIP (Senior Management Long-Term Incentive Plan) – the ESG component of the LTIP is 20% and is aligned to our sustainability goals.
3) Through the Audit & Risk Committee to review and approve reporting plans.
4) The Executive accountable to the Committee is the Chief Sustainability Officer who is a member of the Executive Leadership Team and reports directly to the Chief Executive Officer.

Management of climate-related risks is handled as part of our Group-wide risk management process and through the TCFD reporting process. All Company risks are reviewed by the Board at least once per year.

Scenario analysis

Scenarios and approach

We have identified climate change as a key business risk. To better understand the potential impacts, we have conducted a scenario analysis. PZ Cussons used three scenarios to stress test the resilience of its business.

Transition risks will be assessed against a Low Carbon World Scenario (<2°C), which represents the most ambitious outcome for transition to a low carbon economy. As a result, policy, technology, market and reputational risks would be most significant.

Transition risks were identified by considering possible risks and opportunities for PZ Cussons in the short and medium term resulting from changes expected under Low Carbon World-aligned scenarios and assumptions. Sources included the International Energy Agency (IEA), the Network for Greening the Financial System (NGFS), the Shared Socio-economic Pathways (SSP) and the Intergovernmental Panel on Climate Change (IPCC). Potential metrics to assess each risk have been identified.

We believe that the mitigation plans that are in place will provide business and organisational resilience to these short-medium term risks.

Physical risks were tested against a Low Carbon World (<2°C), Intermediate (~3°C) and Hot House World (4°C+) scenarios. Chronic and acute physical risks are most significant under a Hot House World scenario, which represents a worst-case scenario for climate change.

Physical risks were assessed by modelling the exposure of PZ Cussons' facilities across manufacturing, storage and distribution operations globally using widely recognised modelling tools in the insurance industry employing climate data. We also assessed the risk to selected global key suppliers of raw and packaging materials and finished goods. Exposure was assessed for a range of acute and chronic climate risks under RCP2.6 (<2°C) and RCP8.5 (4°C) against short-, medium- and long-term time horizons. We are now mapping the detail of these physical risks, the resilience of the organisation and putting in place mitigation plans which will be disclosed in FY23.

Identification of risks and mitigations

We have subsequently engaged subject matter experts (both internal and external) to examine and start to quantify the identified transition and physical risks and put in place mitigating actions. These risks will then be managed through our Company risk management system. The climate risks and opportunities considered are as follows:

Physical risk	**Chronic**	Drought stress, heat stress, precipitation stress, fire and weather
	Acute	Flood (including river, coastal and sea level rise), windstorm (including extratropical and tropical cyclone)
Transition risk	**Policy & Legal**	Pricing of GHG emissions, mandates and regs on PZ products, enhanced emissions reporting obligations, building code requirements and climate change litigation
	Technology	Cost to transition to lower emissions technology
	Market	Changing consumer preferences, increased cost of raw materials and cost of capital
	Reputation	Employee risk and investment risk

As an example of the planning to date, we include below a selection of our most material risks, their descriptions and status of mitigation planning. We are still in the process of assessing the financial impact of those risks and setting metrics and targets against them. These will be disclosed in our FY23.

Risk Name	Risk Description	PZ Mitigation Plan
Mandates and regulations on our products	There is a risk of increasing regulatory pressure regarding the sustainability of materials used in the manufacturing of products. This includes the possibility of introduction of carbon footprint labelling, extended producer responsibility (EPR), plastic tax or bans on single-use plastics. This could be relevant to the Group as soon as the FY25 time horizon. **Short/Medium-term risk**	We monitor regulatory developments and work with the wider industry to prepare. This year we joined the EcoBeauty Score Consortium, which seeks to develop an industry-wide and standardised carbon-labelling methodology. We also updated our plastic packaging to include at least 30% PCR material in markets where plastic tax exists. We continue to develop our preparedness for the likely increased regulation in this space.
Pricing of GHG emissions	Carbon pricing already exists in some of the jurisdictions PZ Cussons operates in, including the EU and UK. Under both a 1.5°C and 2°C scenario, pricing of GHG emissions is expected to increase, which could impact PZ Cussons' direct operating costs. **Short/Medium-term risk**	In our sustainability strategy we are setting ambitious targets to reduce GHG emissions throughout our value chain, reducing our vulnerability to possible future carbon taxes and voluntary offset markets. We also monitor government policies and climate change actions and take necessary steps to minimise the impact on our business.

SUSTAINABILITY CONTINUED

FOR LIFE CONTINUED

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Name	Risk Description	PZ Mitigation Plan
Enhanced emissions reporting obligations	Emission reporting obligations are changing all over the world. Inadequate processes, systems and tracking could make adjusting to these changes in any geography difficult. PZ Cussons may have to increase its spending on emissions reporting and assurance in the upcoming years. In particular, the advancement of Scope 3 reporting and Net Zero transition plans would require further investment. Short-term risk	Subject matter experts have been identified and given responsibility for this within the existing Group talent pool. This group is being supported by external consultant resources as required to meet our business requirements.
Building code requirements	There may be costs associated with upgrading buildings and manufacturing sites to meet more stringent building codes and guidelines. For example, in the UK, all new buildings are expected to have an EPC rating of B by 2030. Short/Medium-term risk	PZ Cussons will ensure compliance with all building regulations, especially those that improve the energy efficiency of our assets that will also result in lower operational costs.
Cost to transition to lower emissions technology	Costs to transition to lower emissions technology include upgrading manufacturing sites, switching to or supplying infrastructure for electric vehicles, and sourcing lower emission utilities – particularly for processing recycled materials. Depending on the impact and urgency of these new technologies, PZ Cussons may have to plan capital investments in its infrastructure to implement these technologies and alternative energy sources to its current utilities. Medium-term risk	Together with our suppliers, we will review our supply chain to phase out our reliance on fossil fuels in line with our sustainability strategy. We will work with our sustainability partners to understand and develop cost-effective paths towards reducing our climate impact.
Increased cost or non-availability of raw materials	Water, forests, plastics and other resources will be affected by both physical and transition climate change risks. PZ Cussons could see the geographies and communities it operates in affected by changes. The costs suppliers face may carry over across PZ Cussons' supply chain. The impact on PZ Cussons will depend on its ability to pass costs to the consumer. Short/Medium-term risk	The Group has a strong focus on innovation which is driven through our responsible sourcing and design for cost. Our consumers and the environment are at the heart of everything we do so we always strive to ensure our costs and formulas are competitive to mitigate cost and sustainable impacts for our customer and consumers. Our strategic procurement teams aim to create a resilient sourcing programme that considers our suppliers and communities while ensuring we have compliance across our global supply base. We are committed to reducing our virgin plastic usage, sourcing palm from suppliers with NDPE commitments and only use certified paper(s) for our packaging.

Risk Name	Risk Description	PZ Mitigation Plan
Cost of capital	As credit ratings begin to incorporate climate change considerations, there is a risk of volatility in the cost and availability of capital. Short/Medium-term risk	We have put in place a comprehensive sustainability framework with stretching and ambitious long-term goals and have action plans, including budgeting, to deliver those goals.
Employee risk	As employees become increasingly concerned with climate change issues, negative publicity around failure to deliver on targets or failing to effectively incorporate climate change considerations into decision-making could make it difficult for PZ Cussons to attract and retain the best talent. This risk could increase as the millennial generation, which is typically more concerned with sustainability issues, make up a higher percentage of the workforce. Short-term risk	PZ Cussons is striving to professionalise sustainability as a key strategic function within the organisation to drive the sustainability agenda. This agenda includes a set of long-term environmental, social and governance goals; including our ambition to achieve B Corp certification by 2026 across all markets.
Investment risk	Failure to meet publicly stated sustainability goals (e.g. science-based targets, sustainability KPI targets or B Corp certification) and failure to meet disclosure requirements, poses a risk to PZ Cussons' revenue and investment streams as customers and investors increasingly expect high levels of sustainability performance from organisations. Medium/Long-term risk	Our sustainability plans are ambitious, yet achievable. We believe that meeting the stated goals will allow us to meet the evolving needs of consumers, while addressing other factors impacting our financial performance, such as changes in regulation.
Acute/Chronic	Physical risks resulting from climate change can be event driven (acute, e.g. hurricanes and flooding) or longer-term shifts (chronic, e.g. sustained heat stress) in climate patterns. Physical risks may have financial implications for PZ, such as direct damage to assets and indirect impacts from supply chain disruption. Long-term risk	PZ will analyse a variety of locations which are key to the business covering important parts of the value chain, our internal operations and important customer markets and use scenario analysis and climate modelling to better understand the range of physical risks that the Company is exposed to.

SUSTAINABILITY CONTINUED

OUR ESG FRAMEWORK FOR GOOD

We behave ethically as a business, through the decisions we make, the way we market and sell our products, and through our corporate and ESG governance processes.

Aligning to the SDGs

Business, governance and ethics

To comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, a summary of our relevant policies and outcomes, together with references to where further information on these matters can be found, is detailed below.

Details of our business model / **Page 8**
Our non-financial KPIs on / **Page 76**
Our principal risks on / **Pages 86 to 93**
Details of our employees / **Page 28** and in the Report of the Directors / **Page 147**

We operate in a business environment which is open, honest and fair with our suppliers, customers and business partners, and we do not tolerate corruption. Our ethical principles require that we show respect and integrity in our dealings with all our stakeholders.

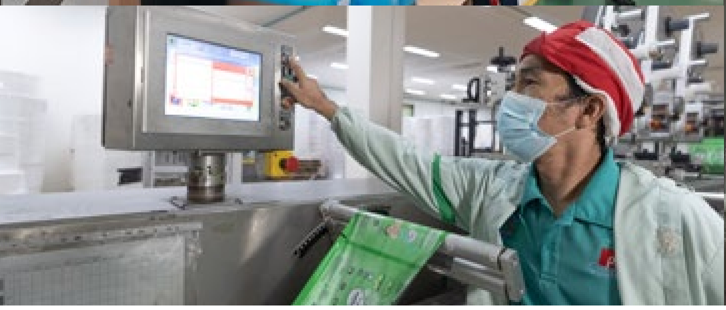
The policies and standards which govern our approach include:

- Code of Ethical Conduct
- Modern Slavery Act Statement
- Supplier Code of Conduct
- Animal Testing Policy

Code of Ethical Conduct

The Code of Ethical Conduct (the Code) sets out the Company's statement of ethical principles and the behaviours expected across the business. It provides rules and guidance to ensure the Company complies with the UK Bribery Act and equivalent legislation in other countries. The Code applies to all employees, contractors, Directors and senior management as well as joint venture partners, suppliers, agents, consultants and advisers. The Code details the Company's zero tolerance of all forms of bribery and corruption and prohibits the payment of bribes, kickbacks and facilitation payments. It sets out thresholds and reporting processes for gifts and hospitality and a framework for charitable and political contributions. The Code also sets out the Company's position on animal testing, anti-slavery and forced labour, supply chain due diligence, the Company's responsibilities towards its employees, the prevention of financial crime and the protection of whistle-blowers. The Code is supported by a number of other policies which are set out in detail in the Audit & Risk Committee report on page 110.

Having successfully launched the Code and our online e-learning modules in FY21, we conducted an annual Code of Ethical Conduct (COEC) confirmation which was completed by 1,284 (all graded) employees, which far exceeded the initial target set by the Board. The confirmation sought feedback on the level of embeddedness of our Code and how well it was understood across our business. There is a good level of awareness of the COEC and procedure to make whistle-blowing reports, a level of mistrust was raised on the confidentiality of issues raised. This will now be addressed through information campaign and face-to-face training sessions. In addition, the Board and all employees were required to complete an Anti-Bribery and Corruption (ABC) training module which was hosted through Trace International. The Board and all graded employees completed the training which far exceeded the initial target. A process is also now in place that all new joiners confirm they have read the COEC and are required to complete the ABC training within their first month. Additional face-to-face training on the COEC was also conducted in high-risk markets by the Head of Ethics & Compliance.


Supplier relations

Modern Slavery Act and Supplier Code of Conduct

The Company's Slavery and Human Trafficking Statement sets out our commitment to integrity of our supply chain, supported by our Supplier Code of Conduct (SCOC) and procurement policies to ensure that we do not engage directly or indirectly with slavery or human trafficking. Our Supplier Code of Conduct incorporates the Modern Slavery Act statement and mirrors our ethical principles set out in the newly launched Code of Ethical Conduct, requiring our suppliers to adhere to the same standards to which we hold ourselves. The Company's policy is to only contract with suppliers who are willing to adhere to our ethical principles. Our suppliers confirm compliance with relevant laws and regulatory standards in all countries in which we operate. The Procurement Code of Conduct was superseded by Supplier Code of Conduct. Suppliers are subject to periodic audits and are encouraged to submit to third-party rating programmes such as SEDEX. We are reviewing and improving due diligence processes for high-risk suppliers, to ensure we have reasonable and proportionate checks and properly mitigate supplier risks.

The Company has enhanced the due diligence process for new suppliers, requiring adherence to the SCOC or additional checks to ensure equivalence of third-party policies. We have finalised a revised framework to categorise suppliers as high-, medium- or low-risk with a view to deploying a refreshed reasonable and proportionate due diligence programme. Work on embedding an operating model is ongoing. In parallel, we plan to reduce the number of suppliers we work with to improve governance and control. Good progress has already been made on removing dormant suppliers. The Company also monitored performance against our No Deforestation, No Peat, No Exploitation (NDPE) commitment in relation to our palm oil business every six months.

Following a third party review the Company contracted Dow Jones and implemented a third-party risk centre platform to conduct due diligence on all new suppliers. This has seen 95% of all new suppliers passing through the platform and all high-risk suppliers being issued with a questionnaire requiring further detailed information before being considered for approval or rejection. An enhancement to the platform was added to require all vendors to sign their agreement to abide by the SCOC. An updated SCOC was issued in April 2022 and a programme to retrospectively conduct due diligence checks on all other active suppliers was launched and is progressing well. We have also made good progress in requiring all high-value vendors to agree to the SCOC or demonstrate they maintain an equivalent code within their business. Recent actions include a thorough review of our supplier risk management processes to ensure our suppliers meet our rigorous ethical standards and continuing development of our indirect procurement to further improve controls and value for money.

We plan to update and refresh our Human Rights Policy by the end of 2022.

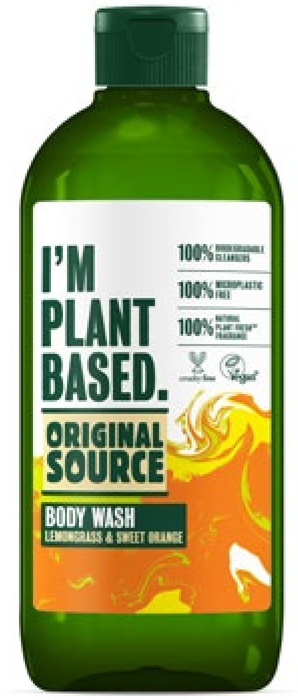
SUSTAINABILITY CONTINUED

FOR GOOD CONTINUED

Animal testing

At PZ Cussons we are passionately against animal testing.

We do not test finished products or ingredients on animals, and do not permit our suppliers or any third parties to test on our behalf. Our suppliers will have to accept those terms to work with us. We will not sell our products, directly or indirectly, in any manner which would require them to be tested on animals prior to reaching our consumers.



Our approach to animal testing is available on our website /

Code of Ethical Conduct:
https://www.pzcussons.com/wp-content/uploads/2021/04/Code-of-Ethical-Conduct-V12-English.pdf

Supplier Code of Conduct:
https://www.pzcussons.com/wp-content/uploads/2022/07/Supplier-Code-of-Conduct-Final-April-2022.pdf

B Corp certification

B Corp certification will have benefits for the business and for our stakeholders. Retailers increasingly look to purchase brands that have achieved this standard, and it is a mark of trust for consumers looking to buy from companies with demonstrated sustainability credentials.

In order to achieve our B Corp ambitions we will need to conduct baseline assessments of each of our businesses and commit to improvement programmes in collaboration with B Labs, who manage the certification process. In FY22, we measured our baseline and set a roadmap towards certification for our UK business, our Beauty business and our businesses in Asia.

Each of our businesses has established initial improvement plans and are working towards refining and implementing them. Childs Farm, which we acquired in FY22, was the first of our businesses to achieve B Corp certification in July 2022.

TARGET

Achieve B Corp certification on all of our businesses by 2026

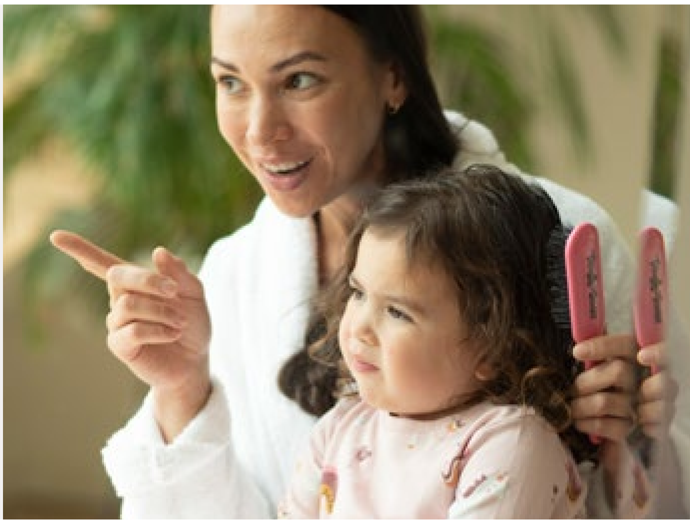
What is a B Corp?

A B Corp is a company that has been certified by the non-profit organisation B Lab as meeting rigorous standards of environmental, social and governance performance, accountability and transparency. To become a certified B Corp, a company must:

- Demonstrate **high social and environmental performance** by achieving a B Impact Assessment score of 80 or above and passing a risk review. Multi-national corporations must also meet baseline requirement standards
- Make a **legal commitment** by changing its corporate governance structure to be accountable to all stakeholders, not just shareholders, and achieve benefit corporation status if available in its jurisdiction
- Exhibit **transparency** by allowing information about its performance measured against B Lab's standards to be publicly available on their B Corp profile on B Lab's website.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Sections 414CA and 414CB of the Companies Act 2006 require us to disclose certain information to allow readers to understand our development, performance and position and the impact of our activities. These are set out below, with references to further disclosure throughout this report as appropriate.



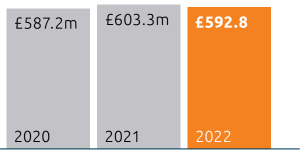
CA Ref	Disclosure	Group approach (including policies and due diligence)
A1	Climate-related financial disclosures	Our TCFD disclosures can be found on pages 64 to 67. Our sustainability framework and governance can be found on pages 46 to 48. Our ESG Committee has terms of reference which are approved by the Board and will be reviewed annually.
1(a)	Environment	Our environmental performance, policies and due diligence activities are set out on pages 56 to 63. We measure a number of metrics to reflect our environmental impact, including carbon emissions, water usage, landfill waste, plastic consumption and sustainable sourcing of palm oil.
1(b)	Employees	Our employee engagement policies and practices are set out on pages 50 to 52.
1(c)	Society	We are proud of the contributions we are able to make to the communities in which we operate, as further detailed on pages 53 to 55.
1(d)	Human rights	See page 63, which sets out our policies and due diligence to ensure the integrity of our supply chain.
1(e)	Anti-corruption and anti-bribery	We have zero tolerance for corruption or bribery and this is set out in our Code of Ethical Conduct, which is further explained on page 68.
2(a)	Business model	Details of our business model can be found on page 8.
2(d)	Principal risks	Our principal risks are set out on pages 86 to 93 and our approach to risk management is set out on pages 84 and 85.
2(e)	Non-financial key performance indicators	Our primary non-financial key performance indicators are set out on page 76.

KEY PERFORMANCE INDICATORS

HOW WE MEASURE OUR PERFORMANCE.

FINANCIAL

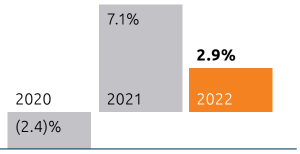
Revenue £m
£592.8m



Definition
Revenue net of discounts, rebates and sales taxes (does not include JV revenue)

Why we measure
Sustainable revenue growth is a key strategic ambition

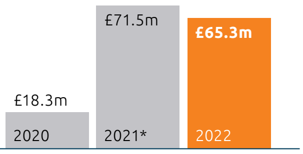
LFL revenue growth %
2.9%



Definition
Like-for-like (LFL) growth adjusts for constant currency and excludes the impact of disposals and acquisitions

Why we measure
To provide an alternative measure on which to evaluate business performance, excluding the impact of foreign currency movements and M&A

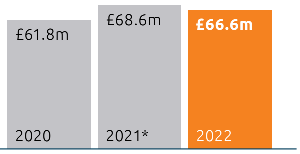
Profit before tax from continuing operations £m
£65.3m



Definition
Profit from continuing operations before tax

Why we measure
Important statutory measure of profit from continuing operations

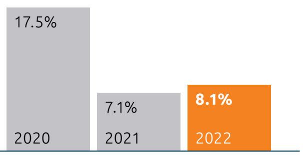
Adjusted profit before tax from continuing operations £m
£66.6m



Definition
Profit from continuing operations before taxation and adjusting items

Why we measure
The key measure of profit used for internal and external targets and incentives

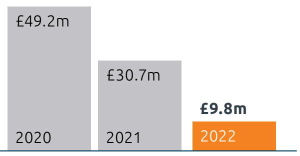
Average net working capital (NWC) as % of revenue
8.1%



Definition
Monthly average of NWC (defined as trade receivables and inventory less trade payables) as a % of revenue

Why we measure
Indicator of the working capital (stock, debtors, creditors) required to support the sales that we make

Adjusted net debt £m
£9.8m



Definition
Cash, short-term deposits and current asset investments, less bank overdrafts and borrowings

Why we measure
Indicator of the overall debt position of the Company and a way to evaluate the financial strength of the Group

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

The key financial metrics we focus on have evolved from FY21 as we refine the linkage between our strategy and financial performance, and reflect feedback from stakeholders. In particular, we have included like-for-like revenue growth and focused more on operating profits.

KEY PERFORMANCE INDICATORS CONTINUED

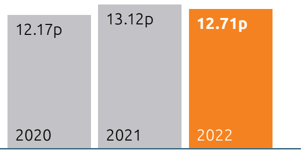
"We have delivered a resilient financial performance in the context of significant cost headwinds and the knock-on impact that inflationary pressures have started to have on consumer spending."

Sarah Pollard
Chief Financial Officer

FINANCIAL CONTINUED

Adjusted basic earnings per share from continuing operations

12.71p

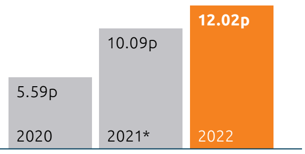


Definition
Basic earnings per share from continuing operations adjusted for the impact of adjusting items[3]

Why we measure
A key indicator of value enhancement to shareholders

Basic earnings per share from continuing operations

12.02p

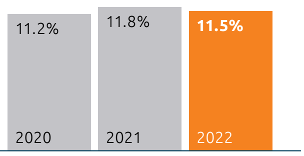


Definition
Basic earnings per share from continuing operations

Why we measure
A key indicator of value enhancement to shareholders

Adjusted operating margin % from continuing operations

11.5%

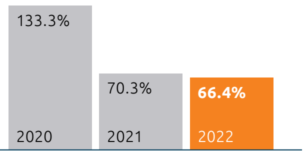


Definition
Operating profit from continuing operations before adjusting items[3], as a % of revenue

Why we measure
Indicator of the return on sales prior to adjusting items[3], financing and taxation costs

Free cash flow conversion %

66.4%

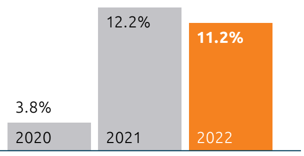


Definition
Cash generated from operating activities less capital expenditure as a % of adjusted EBITDA

Why we measure
Free cash flow conversion is a key performance indicator in terms of demonstrating the Group's ability to convert earnings into cash

Statutory operating margin % from continuing operations

11.2%



Definition
Operating profit from continuing operations as a % of revenue

Why we measure
Indicator of the return on sales prior to financing and taxation costs

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

Definitions of key terms are provided in the Glossary on page 246.

Basic EPS from continuing operations

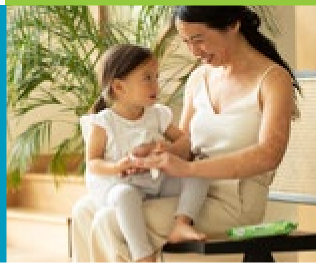
12.71p

Grams of plastic per kg of our finished product

83

Must Win Brand Revenue Growth

(4.8)%

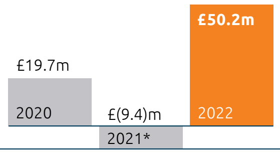


Employee wellbeing

80%

Profit / (Loss) for the year

£50.2m

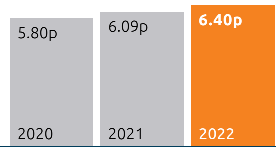


Definition
Profit or loss after tax from all operations

Why we measure
Measures operating performance of the Company

Total dividend per share

6.40p



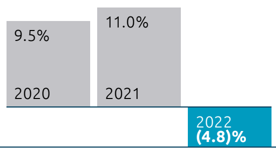
Definition
Dividend per share

Why we measure
Dividend growth is a key performance indicator in terms of tangible return to shareholders

STRATEGIC

Must Win Brand revenue growth / (decline)

(4.8)%

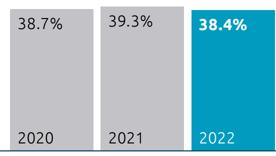


Definition
The growth of revenues generated from our Must Win Brands (MWB)

Why we measure
Must Win Brands are key to our strategic ambition of sustainable, profitable, revenue growth

Gross profit margin % from continuing operations

38.4%



Definition
From continuing operations, gross profit as a percentage of revenue

Why we measure
Gross profit margin is key to demonstrating progress on price/mix growth

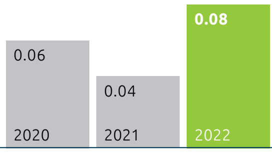
* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL

Health & safety LTIFR

0.08

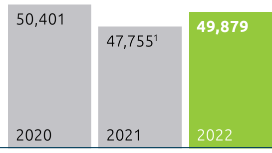


Definition
Lost Time Incident Frequency Rate (LTIFR) is the number of health & safety occurrences which result in one or more days' absence from work (excluding the day of the incident) per 200,000 hours worked

Why we measure
To monitor the safety of our operations

Carbon emissions total absolute tonnes of CO_2e

49,879

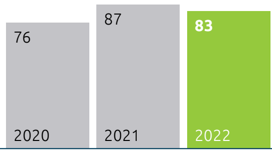


Definition
Total absolute tonnes of Scope 1 & 2 CO_2e

Why we measure
To monitor the impact of our operations on the environment

Grams of plastic per kg finished good

83

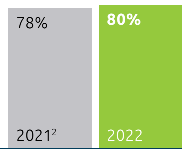


Definition
Grams of plastic per kilogram of finished goods sold

Why we measure
To monitor the progress against our Plastic Promise commitment to minimise waste and increase recyclability

Employee wellbeing

80%



Definition
Based upon a set of questions within our annual survey of employees

Why we measure
To monitor the wellbeing of our employees who are a key stakeholder for the business

Adjusted profit before tax from continuing operations

Basis of calculation	2020 £m	2021* £m	2022 £m
Profit before tax from continuing operations	18.3	71.5	**65.3**
Adjusting items[3]	43.5	(2.9)	**1.3**
Adjusted profit before tax from continuing operations	**61.8**	**68.6**	**66.6**

Average net working capital (NWC) as % of revenue

Basis of calculation	2020 £m	2021 £m	2022 £m
Average net working capital	102.5	42.9	**48.3**
Total revenue	587.2	603.3	**592.8**
Average NWC as % of revenue	**17.5%**	**7.1%**	**8.1%**

Please refer to page 83 for reconciliation of Alternative Performance Measures to statutory results.

1 FY 2021 restated in line with the recommendations made from our external GHG inventory verification.

2 Measurement began in FY21.

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

Definitions of key terms are provided in the Glossary on page 246.

Adjusted net debt

Basis of calculation	2020 £m	2021 £m	2022 £m
Cash and short-term deposits	78.7	87.0	**163.8**
Overdrafts	(1.2)	0.0	**(0.1)**
Current asset investments	0.3	0.3	**0.5**
Borrowings	(127.0)	(118.0)	**(174.0)**
Adjusted net debt	**(49.2)**	**(30.7)**	**(9.8)**

Must Win Brand (MWB) revenue growth

Basis of calculation	2020 £m	2021 £m	2022 £m
MWB revenue reporting year	269.8	299.4	281.4
MWB revenue prior year	246.5	269.8	**295.7**
Revenue growth / (decline)	**9.5%**	**11.0%**	**(4.8%)**

Adjusted basic EPS from continuing operations

Basis of calculation	2020 pence	2021* pence	2022 pence
Basic earnings per share	5.59p	10.09p	**12.02p**
Impact of adjusting items[2]	6.57p	3.03p	**0.69p**
Adjusted basic earnings per share	**12.17p**	**13.12p**	**12.71p**

Gross profit margin % from continuing operations

Basis of calculation	2020 £m	2021 £m	2022 £m
Revenue from continuing operations	587.2	603.3	**592.8**
Gross profit from continuing operations	227.0	236.9	**227.5**
Gross profit margin from continuing operations	**38.7%**	**39.3%**	**38.4%**

Adjusted operating margin % from continuing operations

Basis of calculation	2020 £m	2021* £m	2022 £m
Adjusted[2] operating profit from continuing operations	65.9	71.0	**67.9**
Revenue	587.2	603.3	**592.8**
Adjusted operating margin from continuing operations	**11.2%**	**11.8%**	**11.5%**

Statutory Operating margin % from continuing operations

Basis of calculation	2020 £m	2021* £m	2022 £m
Statutory operating profit	22.4	73.9	**66.6**
Revenue	587.2	603.3	**592.8**
Statutory operating margin % from continuing operations	**3.8%**	**12.2%**	**11.2%**

Free cash flow conversion rate

Basis of calculation	2020 £m	2021 £m	2022 £m
Adjusted EBITDA from continuing operations[1]	91.4	91.7	**87.3**
Free cash flow[1]	121.8	64.5	**58.0**
Free cash flow conversion rate	**133.3%**	**70.3%**	**66.4%**

Grams of plastic per kg finished good

Basis of calculation	2020 MT	2021 MT	2022 MT
Total plastic (metric tonnes)	20,176	20,012	17,477
Total finished goods sold (metric tonnes)	263,809	230,675	211,386
Grams of plastic per kg finished good	**76**	**87**	**83**

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

1. Please refer to page 83 for reconciliation of Alternative Performance Measures to statutory results.
2. Further details on adjusting items are set out in note 3 on page 188.

The information contained on this page is intended to assist the reader in reconciling between IFRS measures and the alternative performance measures (APMs) used within the preceding pages of this report.

BUSINESS REVIEW

GROUP PERFORMANCE

OVERVIEW OF GROUP FINANCIAL PERFORMANCE

We have delivered a resilient financial performance in the context of significant cost headwinds and the knock-on impact that inflationary pressures have started to have on consumer spending.

Revenue declined 1.7%, reflecting good LFL revenue growth of 2.9% and the acquisition of Childs Farm, offset by adverse FX movements and the disposal of our non-core and low-margin yoghurt business. LFL revenue growth was driven mainly by strong price/mix improvements. Volume declines were modest and were driven primarily by the normalisation of demand in the UK hand hygiene category impacting Carex. Revenue from our Must Win Brands declined by 4.8% as a result of the decline in Carex, although each of our other seven existing Must Win Brands saw growth in revenue.

The decline in adjusted operating profit margin was limited to 30bps, as a number of pricing and cost initiatives were successfully executed throughout the year. These largely offset an increase in cost inflation of approximately £40 million compared to the prior year which is equivalent to a c.11% increase in cost of sales. Adjusted EPS declined by 3.1% as a result of the reduction in adjusted operating profit.

Statutory EPS grew 19.1% due to a one-off tax charge in the prior period (relating to a remeasurement of the deferred tax balances following a rate change).

Our cash flow remained strong, with free cash flow of £58.0 million (FY21: £64.5 million), and our adjusted net debt reduced to £9.8 million (FY21: £30.7 million) representing leverage of 0.1x adjusted net debt/adjusted EBITDA. Reflecting this strong cash flow generation the Board have recommended a final dividend of 3.73p (FY21: 3.42p).

In preparing the Group financial statements for the year ended 31 May 2022, prior year adjustments were identified relating to tax liabilities and impairment of intangible assets. Further information on the nature of these items is provided in note 1c.

PERFORMANCE BY GEOGRAPHY

Europe and the Americas

FY22 Revenue

£193.0m

(2021: £216.9m)

Group percentage of revenue

32.6%

(2021: 36.0%)

Revenue declined 12.3% on a LFL basis, driven by the decline in Carex revenue which continues to face tough pandemic-driven comparatives and which more than offset strong growth elsewhere in the portfolio. Excluding the decline in Carex, Europe and the Americas revenue grew mid-single digits. The statutory revenue decline of 11.0% is after accounting for a part-year contribution from Childs Farm, the acquisition of which completed on 21 March 2022.

The UK hand hygiene category, which comprises liquid handwash and hand sanitiser, declined approximately 40% during the year as the household penetration gains made during the pandemic were not fully sustained once lockdowns ended and the prevalence of Covid-19 diminished. Carex outperformed the market however, growing share by 2 percentage points, resulting in revenue in Q4 of FY22 ahead of Q2 of FY20 - the period just prior to the outbreak of Covid-19. These gains have been driven in part by a successful 'Through the Line' marketing campaign.

'Life's a Handful' demonstrated the functional strengths of the product, in particular the two-hour protection technology, as well as making the emotional connection to the brand, recognising the role Carex can play in the everyday lives of our consumers.

Original Source and Imperial Leather both outperformed the broader UK washing and bathing category, in part reflecting their product portfolio mix, with strong offerings in the shower segment. Original Source grew as a result of a product reformulation and a successful marketing campaign – both on TV and on social media – with strong messaging targeted towards Gen Z consumers, as well as the 'I'm Plant Based' innovation which launched in the first half of the year. Imperial Leather revenue declined slightly during the year, ahead of its re-launch in June 2022, although the brand gained some share in soap segments.

Our Beauty business saw continued good growth, due to brand investment and expansion of distribution. St. Tropez revenue grew overall driven by the ongoing recovery following the pandemic and continued online growth. The brand strengthened its leading position in the US prestige tanning category, expanding across 300 new Target and Kohl's stores, which more than offset the temporary supply chain disruptions experienced in the second half of the year. Sanctuary Spa grew double-digits, as share gains driven by brand investments, aligning with the broader consumer trend of 'self-care', and good momentum across all retailers more than offset a slight contraction in the category. Charles Worthington and Fudge each grew strongly, also benefitting from distribution expansion.

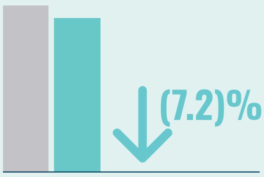
Adjusted operating margin declined by 590bps as actions to mitigate cost increases were insufficient to offset the full extent of the normalisation of Carex revenue. On a statutory basis, operating profit margin declined by 1550bps as a result of an impairment of the Charles Worthington brand (see note 3 for further details).

Europe and the Americas (32.6% of FY22 Group revenue)	2022	Reported growth/ (decline) (%)
Revenue (£m)	£193.0m	(11.0)%
LFL revenue growth (%)	(12.3)%	n/a
Adjusted operating profit (£m)	£35.0m	(32.8)%
Margin (%)	18.1%	(590)bps
Operating profit (£m)	£22.9m	(61.4)%

BUSINESS REVIEW CONTINUED

PERFORMANCE BY GEOGRAPHY CONTINUED

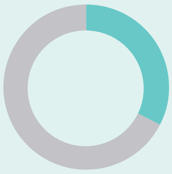
Asia Pacific



FY22 Revenue

£173.8m

(2021: £187.2m)



Group percentage of revenue

29.3%

(2021: 31.0%)

Revenue declined 7.2% reflecting the disposal of our non-core and low-margin yoghurt business, five:am, which completed in June 2021. On a LFL basis, revenue grew 3.0%.

In our Hygiene category, Morning Fresh continued to grow well. This was driven by increased retailer ranging and online presence, as well as strong market campaigns across TV and digital. In addition, we have benefitted from good innovations, with new formats including the refill pouches, Bottle for Life and the 'Clean and Green' range which each launched in the second half of the year. Market share grew by 230bps to 47.9%, making Morning Fresh larger than the next four competitors, combined. Elsewhere, Imperial Leather grew double-digits, mainly driven by continued growth in our Asia distributor markets.

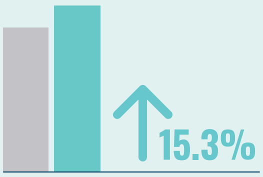
Following a strong year in FY21, revenue in Cussons Baby Indonesia declined slightly as Covid-19 restrictions significantly disrupted retail channels, particularly in the first half of the year. Performance improved in the second half of the year, with better pricing and sales mix and continued growth in e-commerce. Our focus continues to be on growing the higher margin baby toiletry sub-categories such as oils, lotions and creams.

Rafferty's Garden returned to very strong growth in the second half of the year as it recovered from temporary supply disruption and gained additional listings with retailers. This included new wet food pouch flavours and snack products, including a collaboration with one of Australia's most iconic brands, Vegemite. In addition, we have driven a step-change in the performance of our e-commerce business, and Rafferty's Garden has seen a significant improvement in online share, which is now ahead of the offline business. Overall, the brand remains the clear market leader in baby food in Australia, with a market share of 30.3%, representing a slight improvement on the previous year.

Adjusted operating margin grew by 90bps driven by early and decisive actions to mitigate cost increases through both pricing and productivity initiatives, including localising the supply for some of our Rafferty's Garden snack lines. On a statutory basis, margins grew by 1020bps as operating profit included the profit on disposal of five:am and compensation received from the Australian Competition & Consumer Commission relating to an historical legal claim.

Asia Pacific (29.3% of FY22 Group revenue)	2022	Reported growth/ (decline) (%)
Revenue (£m)	£173.8m	(7.2)%
LFL revenue growth (%)	3.0%	n/a
Adjusted operating profit (£m)	£20.9m	1.0%
Margin (%)	12.0%	90bps
Operating profit (£m)	£37.0m	77.9%

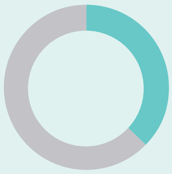
Africa



FY22 Revenue

£222.0m

(2021: £192.6m)



Group percentage of revenue

37.4%

(2021: 31.9%)

LFL revenue growth of 22.3% was driven by improvements in both price/mix and volume, with strong distribution gains. Each of our major brands, including the portfolio brands Stella, Canoe and Robb, reported double-digit LFL revenue growth. Statutory revenue growth was slightly lower, at 15.3%, as a result of the devaluation of the Naira.

In our Hygiene business, Premier saw very strong growth, gaining share in both the anti-bacterial and family soap segments. This was driven in part by strong promotional activity, with one campaign for Premier Cool reaching around 35 million consumers via targeted digital marketing over a two-month period.

Morning Fresh maintained its market-leading position in the dishwashing category in Nigeria despite significant price increases and a number of regional and local players entering the category. Imperial Leather in Kenya grew strongly, driven by innovation execution. The initial performance of Carex following its re-launch during the year has also been strong and we see significant opportunity for the brand to build over time.

Cussons Baby continued to grow strongly through expansion of the product portfolio and driving trial usage and awareness through the hospital activation programme for mothers-to-be, positioning the brand as the most trusted in baby care. In Ghana and Kenya, we similarly continue to build penetration.

Our electricals revenue grew over 20% on a LFL basis, driven by a series of price increases across main product lines, and contributed revenue of £91.5 million. Gross margins improved as we continue to prioritise growing the profitability of the business.

Adjusted operating margin grew by 440bps. Against a backdrop of very strong cost inflation, this was achieved through successive price increases throughout the year, as well as a focus on optimising product mix. This included a 10% shift in the product mix of Premier, away from the family soap segment, towards higher-margin medicated products. On a statutory basis, operating profit margin increased 820bps reflecting the profit on disposal of property in Nigeria as part of the Group's Nigeria simplification project.

Africa (37.4% of FY22 Group revenue)	FY22	Reported growth/ (decline) (%)
Revenue (£m)	£222.0m	15.3%
LFL revenue growth (%)	22.3%	n/a
Adjusted operating profit (£m)	£22.3m	108.4%
Margin (%)	10.0%	440bps
Operating profit (£m)	£28.6m	217.8%

FINANCIAL REVIEW

OTHER FINANCIAL ITEMS

Operating profit

Adjusted operating profit for the Group was £67.9 million, which compares to £71.0 million in the prior year. This was due to a 1.7% decline in revenue, with LFL revenue growth of 2.9% being more than offset by the net effect of M&A and FX movements. The gross profit margin declined by 90bps. While productivity initiatives largely offset the significant levels of input cost inflation, we experienced an adverse mix effect as a result of the very strong revenue growth in our African business which is lower margin. Carex also contributed to the margin reduction, as a result of the decline in revenue and some stock provisions. Brand Investment decreased 70bps primarily reflecting more normal levels of Carex investment, while overheads increased 20bps as we invest in capabilities. PZ Wilmar, our joint venture, performed strongly and contributed £6.6 million to operating profit. Operating profit declined 9.9% to £66.6 million as a result of the decline in revenue and the impairment charge.

Adjusting items

Adjusting items in the year totalled a loss of £1.3 million before tax. This included a net £7.8 million income from our Nigeria simplification project where a £15.9 million profit related to the disposal of property was offset by £8.1 million of costs mainly driven by the impairment of factory assets and associated engineering spares held in inventory, £11.6 million of impairment charges related to the Charles Worthington brand, an £8.5 million reversal of previous impairment charges relating to the Rafferty's Garden brand and £4.3 million of costs associated with various transformation programmes which were initiated during FY22 and FY21. See note 3 for further details on adjusting items.

After accounting for these adjusting items, operating profit for the Group was £66.6 million which was £7.3 million lower than the prior year.

Net finance costs

Net finance costs in the year were £1.3 million, compared to £2.4 million in the prior period, as slightly higher interest costs were more than offset by increased interest income on cash deposits.

Profit before tax was £65.3 million, £6.2 million lower than the prior period. Adjusted profit before tax was £66.6 million (FY21: £68.6 million).

Taxation

The tax charge in the year for continuing operations was £13.3 million compared to £29.3 million in the prior year. One off items, including anticipated changes in UK corporation tax rates, adversely impacted the 2021 effective tax rate (ETR), with a return to a more normalised ETR in 2022 reflecting the global footprint of the Group. On an adjusted basis, the ETR for FY22 was 19.5% (FY21: 21.0%).

Profit after tax

Profit for the year from continuing operations was £52.0 million, which compared to £42.2 million in the prior year. Basic earnings per share were 12.02p, compared to 10.09p in the prior year. Adjusted basic earnings per share were 12.71p, which compares to 13.12p in the prior year. This 3.1% reduction is predominantly due to the reduction in revenue and the decline in gross profit margin.

The loss from discontinued operations in the year was £1.8 million, which was driven by the settlement of legal claims relating to Minerva, a Greek subsidiary which was disposed of in September 2019. In the prior year, the loss of £51.6 million from discontinued operations was predominantly driven by the loss on disposal of Nutricima.

Profit for the year was £50.2 million compared to a loss of £9.4 million in the prior year.

Balance sheet and cash flow

Adjusted net debt as at 31 May 2022 was £9.8 million (FY21: £30.7 million). The reduction was due to the cash flow from operations, and £25.8 million of proceeds received from the disposal of non-core assets, including five:am, the Group's Australian yoghurt brand, and residential properties in Nigeria. These were offset by the investment of £37.0 million to acquire Childs Farm. Net assets of £449.3 million (FY21: £371.5 million) further reflect the Group's strengthening balance sheet and the movements in pension schemes.

The Group is funded by a £325 million revolving credit facility of which £174 million was drawn as at 31 May 2022. The facility is committed until 28 November 2023 and we are confident of refinancing this in due course.

Total free cash flow was £58.0 million (FY21: £64.5 million) which included a net working capital outflow as we have sought to increase stock levels given supply chain uncertainty and cost volatility.

Dividend

The Board is recommending a 9% increase in the final dividend, at 3.73 pence (FY21: 3.42p) per share, making a total of 6.40 pence (FY21: 6.09p) per share for the year. This overall 5.1% increase reflects the Board's confidence in the Group's financial resilience and future growth prospects. Subject to approval at the AGM, which will be held on 24 November 2022, the final dividend will be paid on 30 November 2022 to shareholders on the register at the close of business on 21 October 2022.

Reconciliation of Alternative Performance Measures to Reported Results	Year ended 31 May 2022	Year ended* 31 May 2021
Statutory profit before tax from continuing operations	£65.3m	£71.5m
Adjusting items	£1.3m	£(2.9)m
Adjusted profit before tax from continuing operations	**£66.6m**	£68.6m
Interest	£1.3m	£2.4m
Depreciation & amortisation	£19.4m	£20.7m
Adjusted EBITDA	**£87.3m**	£91.7m
Cash generated from operating activities	£66.2m	£73.4m
Less capital expenditure	£(8.2)m	£(8.9)m
Free cash flow	**£58.0m**	£64.5m
Free cash flow conversion rate[1]	**66.4%**	70.3%
Operating profit from continuing operations	£66.6m	£73.9m
Adjusting items from continuing operations	£1.3m	£(2.9)m
Adjusted operating profit from continuing operations	**£67.9m**	£71.0m
Revenue	£592.8m	£603.3m
Adjusted operating margin from continuing operations	**11.5%**	11.8%
Basic earnings per share from continuing operations	12.02p	10.09p
Impact of adjusting items	0.69p	3.03p
Adjusted basic earnings per share from continuing operations	**12.71p**	13.12p
Cash & Short-term deposits	£163.8m	£87.0m
Overdrafts	£(0.1)m	–
Current Asset Investments	£0.5m	£0.3m
Borrowings	£(174.0)m	£(118.0)m
Adjusted net debt	**£(9.8)m**	£(30.7)m
Adjusted EBITDA	£87.3m	£91.7m
Adjusted net debt	£(9.8)m	£(30.7)m
Net debt / adjusted EBITDA	**0.1x**	0.3x

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c on page 173.

1. Free cash flow conversion is free cash flow divided by adjusted EBITDA.

RISK MANAGEMENT

ENABLING OUR STRATEGIC PROGRESS

Our approach to risk management

The Group uses a risk management process and common risk framework to ensure we identify, assess and mitigate risks that threaten the successful delivery of strategic objectives.

Our risk management processes include initial identification of risks, including emerging risks, at the operational level. These risks are then assessed, including an assessment of the potential impact of the risk on our business, whether the risk is increasing or decreasing and at what pace, and the extent to which the risk can be mitigated or controlled. The process also seeks to establish our appetite for each risk, and to balance the level of risk and opportunity in our overall portfolio.

Risk management is the responsibility of the Board, which it has primarily delegated to the Audit & Risk Committee. The Board periodically reviews the top risks in the register with deeper interrogations into specific risks taking place in either the Audit & Risk Committee (see pages 110 to 115 for further information) or in other committees which have coverage of the specific matter to which a risk relates. The Audit & Risk Committee also assesses the effectiveness of the risk management framework.

The Executive Leadership Team (ELT) periodically reviews risk registers, operating both top-down and bottom-up approaches to ensure significant strategic and operational risks are identified and that all principal and emerging risks, are assessed. In addition, 'deep dive' reviews of specific principal risks may be performed to ensure that controls are adequately resourced and maintain exposure within the defined risk appetite parameters. Each principal risk is owned by a member of the ELT. The Group Internal Audit function provides independent assurance to both the executive and the Audit & Risk Committee on the effectiveness of the risk management framework and internal control systems. In recognition of the fact that the interim Head of Risk and Head of Internal Audit roles are combined, the Audit & Risk Committee takes specific steps to ensure independence of the Group Internal Audit function is maintained when necessary.

The Board is committed to adopting a risk profile in line with our vision and culture. The Group is exposed to a number of risks as a result of its business activities. In reviewing these risks, and the opportunities and returns associated with them, the Board has determined to adopt a very low risk appetite for risks which may adversely impact its business opportunities or reputation. These include areas such as product safety and quality, health and safety, cyber-security, legal, compliance, climate change, environmental and regulatory risks. The Group also has a relatively low risk appetite through our supply chain and finance functions where we seek to minimise counterparty credit risk exposure, ensure the resilience of our supply chain particularly amid the current period of volatility, and avoid unhealthy levels of financial leverage or complex tax planning structures. Comparatively, the Board has a higher appetite for risks which are associated with growth and potential higher returns such as our focus on innovation and new product development, our involvement in emerging markets, our recent acquisition of Childs Farm or our ambitious sustainability targets including our B Corp ambitions. We seek to mitigate our risk exposure to within target levels through insurance cover, planning, or control processes internally or natural portfolio hedges such as the diversity of our brand and product ranges and our avoidance of over-concentration on a single category or market.

Where the Group works with a joint venture partner, it seeks to apply the same risk management processes. The Group's ability to unilaterally enact mitigation processes in relation to joint venture risks is sometimes constrained by our joint venture agreements, however, the Group believes our agreements are sufficiently robust and our partners are aligned with us in their approach to risk. Our risk management processes are designed to manage rather than eliminate risks and provide only reasonable not absolute assurance against material misstatement or loss.

In FY21, the Group adopted these risk management processes. Over the course of FY21 and FY22, the Board reviewed their effectiveness. Whilst acknowledging an improvement over the previous processes, the Board noted that risk management could be better integrated into the overall business planning and management processes. A new Head of Internal Audit is expected to join the Group in FY23 who will lead a review of the risk management processes and resourcing with a view to further embedding risk management within our business.

OUR RISK MANAGEMENT PROCESS

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

OUR RISK MANAGEMENT FRAMEWORK

Board of Directors

Defines policy, sets risk appetite and assesses principal risks for the Group. Has 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 Leadership Team

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.

Group Head of Risk and Internal Audit

Oversees the consistent application of the Group's risk management framework.

Regional and Business 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.

Our approach to emerging risk

New and emerging risks are identified in a number of ways:

- Potential new and emerging risks are reported to the Board and considered during its periodic reviews of the Group risk register.
- In formulating and evolving the Group risk register, the ELT and the Board take into account the principal risks identified by individual regions and business units to determine whether there are any new risks which require Group-wide focus and mitigation.
- At its annual strategy session, the Board assesses any emerging risks (or opportunities) which should be taken into account when formulating and executing strategy in the future.
- These processes are informed by regular discussions with the Group's network of external advisers including its lawyers across all relevant territories, accountants and tax advisers, internal audit partners, insurance brokers, health and safety advisers, and sustainability and PR advisers. The Company is also a member of various trade and industry bodies across the world and leverages the experience of its peers and external industry experts.

Changes to our gross risk profile

We continually assess, on a gross basis (i.e. before we take any mitigating actions), whether the principal risks facing the Group are increasing, showing no change or decreasing compared to the prior year.

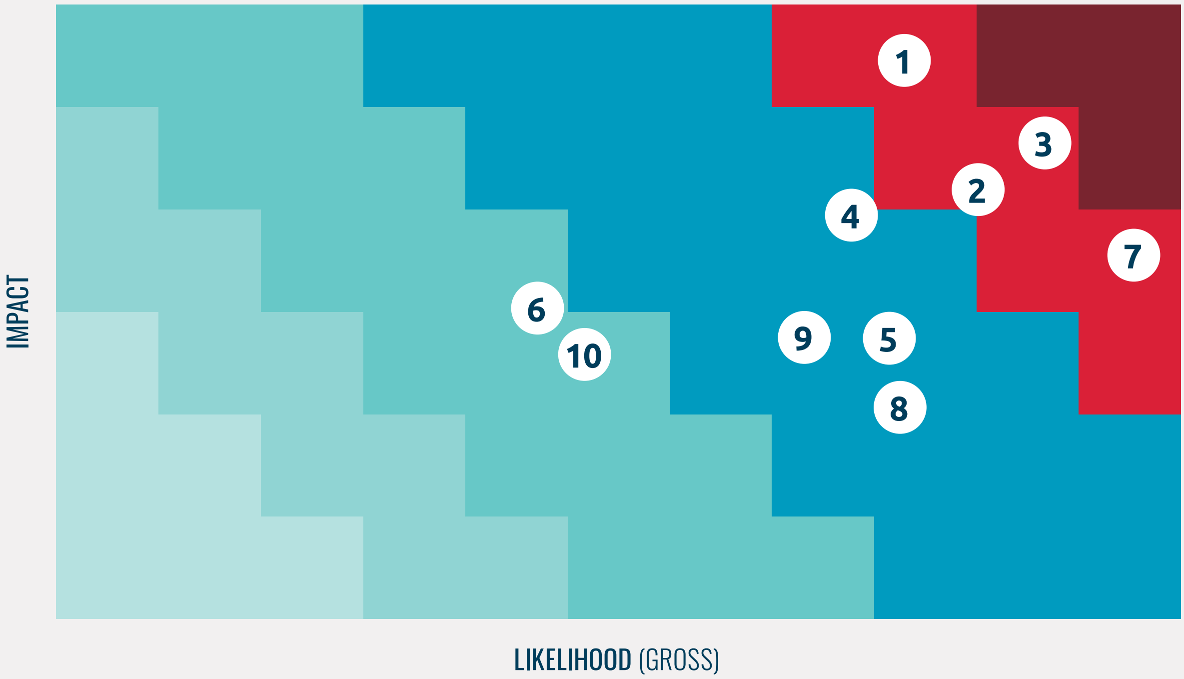
Those risks that we believe are currently most prominent or increasing are:

- IT and Information Security: we continue to see high levels of cyber attacks which if not prevented or otherwise mitigated, could result in a loss of key business, systems and/or result in material losses. We manage this by employing cyber security systems and by deploying comprehensive awareness and training programmes.
- Consumer, customer and macro-economic trends: we continue to see cost of living challenges in most of our markets while commodity cost inflation continues to increase our cost of goods. We manage this risk by focusing on reducing costs where possible without impacting the consumer experience and by building strong brands that can maintain strong margins.
- People and talent: as workers adapt to the new ways of working post Covid, and as recent inflation trends begin to impact wages, we are seeing significant competition to recruit and retain top talent. We mitigate this challenge by focusing on creating an excellent working culture, investing in learning and development, ensuring our employees are engaged and have good career opportunities and by remaining competitive on remuneration.
- Sustainability and environment: the focus on the environmental and human safety implications of climate change and plastic pollution continues to intensify. While our approach to sustainability offers opportunities for competitive advantage, the risk of adverse consumer or customer reaction, increased cost and regulatory penalties continues to rise. We have set out an ambitious plan to mitigate this risk, including our new sustainability targets set out on page 44.

PRINCIPAL RISKS AND UNCERTAINTIES

OUR RISK PROFILE

Our assessment of our current gross risk profile (i.e. before we take any mitigating actions) is presented below:



LINK TO STRATEGY

1 **Where To Play**
We have a clear focus on the leading brands in our core categories within our priority markets.

2 **How To Win – the PZ Cussons Growth Wheel**
Adopting the PZ Cussons Growth Wheel enables us to build brands in a systematic and repeatable way.

3 **Putting sustainability at the heart of everything we do**
We are elevating sustainability, broadening our ESG efforts and making clear commitments which can be measured over time.

4 **Evolving our culture**
We have reshaped our purpose and our values, ensuring each person in the organisation is clear on their role and engaged in executing our new strategy.

5 **Developing leaders at all levels**
We have re-established the rhythms and disciplines of talent management to develop leaders at all levels.

6 **Building our capabilities**
We're developing the skills and processes required for us to compete effectively.

7 **Reducing complexity**
We are dramatically simplifying our complex operations and ways of working.

RISKS

1 Consumer, customer and economic trends
2 Talent development and retention
3 IT and information security
4 Sustainability and environment
5 Business transformation
6 Health & safety
7 Supply chain and logistics
8 Legal and regulatory compliance
9 Financial Controls (Treasury and tax)
10 Pandemic

RISK 1: **CONSUMER, CUSTOMER AND ECONOMIC TRENDS**

Trend: Increased

Link to Strategy: 1, 2, 7

Description of risk:

In the aftermath of the Covid-19 pandemic, the world is now facing significant inflation, in many areas for the first time in a generation. Significant increases to essential commodities including raw materials needed to manufacture our products is placing significant pressure on our cost of goods. At the same time, these inflationary pressures are creating a cost of living crisis amongst our consumers who are having to make difficult decisions on how to allocate their resources. As our input costs rise, our ability to increase our prices may not completely cover such cost increases resulting in decreasing margins. Where we are able to successfully execute cost increases some of our valued consumers may choose to trade-down to lower-priced, lower-performing products which could impact sales volumes. We anticipate that there will be pressure from customers for us to absorb cost inflation and indeed we have recently seen high profile examples of major consumer goods companies pulling goods from shelves of retailers where they could not agree new terms.

Measures to manage risk:

We continue to actively listen to our consumers via social media, market research and shopper insights to ensure that our product development pipelines respond rapidly and meet our consumers' needs. We remain focused on cutting any costs we can from our products that do not impact the consumer experience or sacrifice performance or quality. We may also increase prices where necessary in the face of increasing costs.

We continue to focus on maintaining strong relationships with our existing customers and developing relationships with new customers. In our developed markets we have joint business plans in place with our key customers, with agreed KPIs that are subject to regular monitoring and performance reviews.

Our strategy continues to be to operate across a number of both developed and developing markets and therefore we are able to mitigate, to a degree, regionalised risks.

RISK 2: **TALENT DEVELOPMENT AND RETENTION**

Trend: Increased

Link to Strategy: 1, 2, 3, 4, 5, 7

Description of risk:

We recognise that to deliver sustained growth, we require the best calibre 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. Following the Covid-19 pandemic, companies saw a large increase in attrition, sometimes referred to as 'the great resignation'. Since then, the competition for top talent has increased significantly, particularly in areas such as IT and e-commerce which saw accelerated growth through the pandemic. With the increasing global uncertainty and the enduring impacts of COVID-19, we also see employee wellbeing as an increasing risk along with increasing demands from employees around flexible and hybrid working solutions.

Measures to manage risk:

We are strengthening our human resources processes, with a focus on attracting, retaining and developing the right talent. We regularly review our reward and recognition programmes. We have also taken steps to improve the dialogue with our workforce, conducting a global engagement survey with encouraging scores which we have analysed to develop an appropriate response to drive further improvement in this area. We also maintain Group-wide social media/communication tools, as well as holding quarterly global Town Hall meetings. We have increased our focus on wellbeing, launching specific initiatives in our market aimed at providing wellness support and education and mental health support through our employee assistance hotline.

Attracting key talent in some regions remains a challenge but our global appraisal and employee management process helps us to identify training requirements and validate succession plans, as well as to identify our future leaders and critical talent that needs to be retained within the business. Talent development, through our commitment to develop leaders at all levels of our business, forms a key part of our new strategy.

A major development in the year has been the launch of the Workday IT system, providing greater efficiency, visibility and consistency in these areas. We have also implemented hybrid and virtual working arrangements across our markets, which are enabled by the deployment of IT platforms such as Microsoft Teams and Office 365.

LINK TO STRATEGY

1. **Where To Play**
2. **How To Win – the PZ Cussons Growth Wheel**
3. **Putting sustainability at the heart of everything we do**
4. **Evolving our culture**
5. **Developing leaders at all levels**
6. **Building our capabilities**
7. **Reducing complexity**

TREND

Increased
Same
Decreased

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK 3: IT AND INFORMATION SECURITY

Trend: ^ Link to Strategy: 3, 6

Description of risk:

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, cyber security threats are becoming more prevalent and sophisticated in nature, which could lead to unauthorised access to our systems and loss of sensitive information.

Measures to manage risk:

A centrally governed IT function continually monitors known and emerging threats that may impact us. Significant activity has been undertaken across the whole of the business, informed by the outcome of in-depth externally facilitated reviews of information security and this is effectively mitigating the increasing prevalence and sophistication of cyber security incidents, which are being seen across all industries. We have continued during the year to further develop our IT policy suite and support this via a comprehensive training and awareness programme to ensure both business and personal information remain protected.

Processes continue to be maintained to ensure that our critical data is backed up and recoverable and our 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. While management remains confident that our processes and controls are appropriate to mitigate this risk, we also recognise the continually increasing sophistication of cyber-attacks and the increased regulatory focus on data security along with recent geo-political developments that are seeing increasing cyber-attack activity.

RISK 4: SUSTAINABILITY AND ENVIRONMENT

Trend: — Link to Strategy: 1, 3, 6

Description of risk:

The need to find more sustainable ways of doing business is vital. This includes ensuring the raw materials we require are responsibly sourced and efficiently used and that we are a responsible and integral part of the communities in which we operate. Failure to do so risks alienating key stakeholders, including consumers and customers, who are increasingly focused on environmental sustainability and transparency in the supply chain, and damaging the goodwill in our brands, with consequent limitation of our ability to grow and create value.

Measures to manage risk:

We recently announced the appointment of our first Chief Sustainability Officer to lead the efforts in this area under the guidance of the Board's newly appointed ESG Committee. Our ESG activities, in particular, our environment, sourcing and community programmes, ensure that we understand and take account of the sustainability impact of our operations and that we proactively seek opportunities to align the interests of our key stakeholders and create value for all. This includes taking account of the human rights of all those working within our supply chain and in local communities.

We continue to make good progress on a number of key sustainability projects, including our recently announced sustainability goals set out on pages 44 and 45. We have also improved our processes aimed at ensuring that our supply chain aligns with our sustainability goals, including the launch of our new third party risk management platform provided by Dow Jones which helps us ensure that our supply chain is free from all forms of corruption and modern slavery.

RISK 5: BUSINESS TRANSFORMATION

Trend: — Link to Strategy: 4, 6, 7

Description of risk:

We will continue to strive to improve the way our business operates, leveraging additional efficiencies and business simplification as we execute the new strategy; however, 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. The concept of reducing complexity is a core element of our new strategy.

Measures to manage risk:

Following the launch of our new strategy last year, we have been focusing on embedding this across all areas of the business. Various dedicated steering committees, often chaired by ELT members, including the CEO and CFO and project delivery teams, including ELT members, have been established, who conduct in-depth analysis of progress and make regular reports to the Board.

Our new adjusting items policy and a dedicated ELT forum track the delivery, cost and accounting treatment for a number of these transformational projects. FY22 saw the launch of the controls transformation project and the successful delivery of Phase 1 of our HR transformation with the launch of our Workday platform.

RISK 6: HEALTH & SAFETY

Trend: — | Link to Strategy: 1

Description of risk:

The health and safety of everyone who is impacted by our business and the wellbeing of our consumers, employees and visitors are of paramount importance to us. This encompasses the safety and quality of our products, the safety of our facilities and offices and the health and safety of our employees working from home under our new working model, including the mental health of our people as we all adapt to a new working model. A failure in the practices we adopt to ensure health and safety may result in reputational damage, significant financial loss from product recalls and fines from regulators together with possible criminal liability for the Group.

Measures to manage risk:

We apply robust quality management standards and systems, rigorously monitoring them throughout all stages of the supply chain. This applies not only to our own production facilities but to our third-party manufacturers as well. We will soon be launching our new quality and consumer safety policy to ensure that our standards in this area are maintained and developed where necessary.

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 taken. The same applies to health and safety incidents across the Group where we seek to identify, assess and respond to incidents to ensure we continuously improve our health and safety framework.

Having delivered the new health and safety policy, our focus is on cultural initiatives to ensure that the policy is embedded in the business. This includes investment in health and safety awareness and training.

RISK 7: SUPPLY CHAIN AND LOGISTICS

Trend: ^ | Link to Strategy: 3, 6

Description of risk:

Our production and distribution facilities could be severely impacted by adverse events, such as a failure of a key supplier, a health and safety incident, an environmental failure or global events. We have felt this risk increase recently as a result of Covid-19 lockdowns, including recent lockdowns in China, the war in Ukraine, well-publicised shipping and logistics challenges including port delays and the Suez Canal blockage and shortages of key commodities and input materials.

Measures to manage risk:

We undertake a rigorous selection process prior to engaging with new third-party suppliers and perform ongoing audits 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.

RISK 8: LEGAL AND REGULATORY COMPLIANCE

Trend: ∨ | Link to Strategy: 3, 6

Description of risk:

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 and employment. Failure to adhere to such laws and regulations can result in reputational damage, as well as significant fines and the possibility of criminal liability.

Measures to manage risk:

Our legal and regulatory specialists at both 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. This is particularly important in developing countries where changes in the law can be sudden and unpredictable. Last year we launched our first Code of Ethical Conduct, replacing the anti-bribery and corruption policy, which had been launched the year before. This year, the focus has been on training related to the Code, as well as the first annual code certification exercise. This year also saw the appointment of a new Group Head of Ethics and Compliance reporting to our General Counsel, along with a dedicated Ethics and Compliance manager for Nigeria.
We also provided training to our board and ELT on the recent rise in litigation related to sustainability claims.

LINK TO STRATEGY

1 Where To Play
2 How To Win – the PZ Cussons Growth Wheel
3 Putting sustainability at the heart of everything we do
4 Evolving our culture
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6 Building our capabilities
7 Reducing complexity

TREND

Increased ^
Same —
Decreased ∨

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK 9: FINANCIAL CONTROLS (TREASURY AND TAX)

Trend: Same **Link to Strategy: 3**

Description of risk:

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 a 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.

These specific treasury and tax risks are part of our overall financial control framework. Equally, as an international integrated Group, we must comply with transfer pricing and other related policies and laws in each of our markets which can change from time to time with little notice.

Measures to manage risk:

We maintain an established Group Treasury function and our Group Treasury policy defines our non-speculative approach to the management of foreign currency exposures, all overseen by our recently appointed Group Director of Treasury and Tax.

Transactional 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.

This all forms part of our overall financial control framework, which is being reviewed and improved where necessary as part of our recently launched Controls Transformation Project, which will be implemented with the support of the recently appointed Director of Internal Control.

RISK 10: PANDEMIC

Trend: Decreased **Link to Strategy: 1, 2, 3, 6**

Description of risk:

While the immediate effects of the Covid-19 pandemic and associated lock-downs and other restrictions were more prevalent in FY21, these have not completely subsided and the world continues to be subject to uncertainty around travel restrictions, office attendance and the possibility of new variants or other strain on public health infrastructure resulting in further lockdowns. Like all businesses, we continue to maintain a high-risk awareness in this area, although we consider that the risk exposure has reduced through increased awareness across the business and the implementation of action plans across the business in response to the pandemic.

There is also the continued risk to the business through both the wider economic uncertainty which the pandemic has generated and may yet continue to generate, as well as the potential impact on our day-to-day operations through, for example, the risk of operational disruption, supply chain risk and negative impact on cash flow, albeit mitigated by the contingency plans which we have developed.

Measures to manage risk:

We continue to take a number of steps to address the risks relating to our people during Covid-19, including the establishment of a more enduring flexible way of working, the provision of the appropriate facilities to facilitate working from home, and keeping in close contact with all our people through formal and informal means, including employee surveys and virtual meetings, to ensure that we support each other.

We have also been able to effectively manage the additional operational risk, increase supply and launch new products as required, to meet demand, despite the challenges in international sourcing due to the pandemic. We continue to explore ways to improve how we work with our suppliers and customers to ensure that we maintain our response to this risk in an effective manner.

In relation to the wider economic uncertainty, the Group has continued to adopt strict measures in terms of operational discipline, to manage our cash position effectively. These include the deferral of capital projects, the simplification of our organisational structures and an increased focus on working capital.

Although we have again lowered the risk profile of this separate pandemic risk due to the lifting of restrictions, the vaccine roll out and the existence of contingency plans in the business, we recognise that pandemic risk will continue to present itself in many different areas as we move to our new way of working and see the pandemic continue to impact parts of the world at different times, for example the recent lockdowns in China. We maintain our diligence in this area and have considered these elements in relation to separate risks.

The Strategic Report was approved by the Board and signed on its behalf by Kevin Massie, Company Secretary, on 28 September 2022.

LINK TO STRATEGY

1 Where To Play
2 How To Win – the PZ Cussons Growth Wheel
3 Putting sustainability at the heart of everything we do
4 Evolving our culture
5 Developing leaders at all levels
6 Building our capabilities
7 Reducing complexity

TREND

Increased
Same
Decreased

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review. In addition, note 18 of the Consolidated Financial Statements includes policies in relation to the Group's financial instruments and risk management, and policies for managing credit risk, liquidity risk, market risk, foreign exchange risk, price risk, cash flow and interest rate risk and capital risk.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. A viability statement has been prepared and approved by the Board and this is set out below.

Viability statement

Assessment of prospects

In assessing the prospects of the Group, the Board has taken account of the following:

- The business model on page 8 and the Group's diversified portfolio of products, operations and customers, which reduce exposure to specific geographies and markets, as well as large customer/ product combinations, strong product demand, especially in the current environment, the share of the market and product penetration our focus brands have and the resilience and strength of manufacturing facilities and overall supply chain.
- The Group's strong cash generation and its ability to renew and raise debt facilities in most market conditions. The Group currently has significant committed facilities headroom in its existing committed banking arrangements.

Assessment of viability

In determining the appropriate viability period, the Board has taken account of the following:

- The financial and strategic planning cycle, which covers a four-year period. The strategic planning process is led by the CEO and is fully reviewed by the Board.
- The investment planning cycle, which covers four years. The ELT considers, and the Board reviews, likely customer demand and manufacturing capacity for each of its key markets. The four-year period reflects the typical maximum lead time involved in developing new capacity. The Board considers that, in assessing the viability of the Group, its investment and planning horizon of four years, supported by detailed financial modelling, is the appropriate period.

Viability has been assessed by considering:

- 'Top-down' sensitivity and stress-testing. This included a recent review by the Audit & Risk Committee of four-year cash projections which were stress tested to determine the extent to which trading cash flows would need to deteriorate before breaching the Group's facilities. In addition, the financial covenants attached to the Group's debt were stress tested.
- The likelihood and impact of severe but plausible scenarios in relation to principal risks as described on pages 86 to 90. These principal risks were assessed both individually and collectively. While the principal risks all have the potential to affect future performance, none of them are considered likely, either individually or collectively, to give rise to a trading deterioration of the magnitude indicated by the stress testing and to threaten the viability of the business over the four-year assessment period.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Bottom-up scenarios

Each of the principal risks identified on pages 86 to 90 has been assessed for its potential financial impact as part of the viability assessment. Of these, the most severe but plausible scenarios (or combinations thereof) were identified as follows:

SCENARIO MODELLED	LINK TO PRINCIPAL RISKS	MITIGATION
1. CONSUMER, CUSTOMER, ECONOMIC **a. Pandemic / War (related economic downturn, downward revenue impacts & inflationary impacts to cost base) –** 4% y-o-y reduction in revenue in UK, Beauty, Australia, and Indonesia. Reduction in TGM% vs base case by 6ppt in the same markets. Testing basis derived through analysis of actual pandemic impacts during Covid-19 and using plausible rates based on this benchmarking. **b. Competitive landscape leading to higher M&C spend** – M&C % increased by 2ppt above base case, derived by reference to similar situations in FY20 and FY21. **c. Nigeria impact (general economic & political uncertainty)** – Naira devaluation and/or reduced overall profit – £11 million decline in Operating Profit in Nigeria in FY23 - based on repeat of FY19 to FY20 profit reduction. 50% of impact carries into FY24, then resumes in line with the base case.	10. Pandemic / health crisis 1. Consumer, customer and economic trends	The Group has and is continuing to strengthen its capabilities in revenue growth management, marketing and supply chain. These capabilities are important to counteract such pressures and the Group has already demonstrated its ability to mitigate significant input cost inflation over the last financial year. Procurement constantly works with vendors to obtain the best prices. Known cost increases are already factored into the budget and forecasts.
2. TALENT DEVELOPMENT AND RETENTION **a. Revenue reduction & negative margin impact (i.e., worse performing team)** – 5% y-o-y reduction in revenue in UK, Beauty, Australia, Indonesia and Nigeria Family Care. Reduction in TGM% vs base case by 5ppt in the same markets. Testing basis derived through analysis of actual pandemic impacts during Covid-19 and using plausible rates based on this benchmarking. **b. Increased recruitment fees –** y-o-y increase in Employee Costs in line with latest available inflation data for UK, ANZ, Nigeria and Indonesia.	2. Talent development and retention	The Group has and is continuing to strengthen its culture, values and training in order to make PZ Cussons an attractive place to work in order to attract talented employees. Sufficient financial facilities headroom maintained and tightly controlled overheads.
3. IT / INFORMATION SECURITY AND FINANCIAL CONTROLS **a. Fines (i.e., regulatory)** – one off charge of £25.5 million as result of GDPR regulation breach in FY23, based on GDPR penalty regime currently in place. **b. Reputation** – reduced revenue – Flat revenue Group wide for the duration of the plan from FY23 onwards. **c. Business continuity (cyber-attack scenario)** – short term business closure, etc - Loss of 1 month of Group revenue in FY23 (a recent study in the UK suggests that the median cost of a cyber-attack in the UK is £28k).	3. IT / information security 9. Financial controls	Sufficient financial facilities headroom maintained and tightly controlled overheads. The temporary loss of system access is highly unlikely to affect the Group's performance as there are detailed contingency plans in place to cover such eventualities as well as sufficient inventory on hand to cover any temporary loss of production.
4. SUSTAINABILITY AND ENVIRONMENT **a. Regulatory environment, e.g., taxes/levies** – Plastics Tax reduces profitability by £6m per year (extrapolating from assessment of unmitigated impact of recently introduced UK plastic tax). **b. Consumer choice, e.g., Revenue impacts** – Y-o-Y revenue growth reduced by 1ppt vs base case in all major markets (UK, Beauty, Australia, Indo, Nigeria). **c. Lost production (factory loss from flooding etc)** – Loss of 3 months of revenue in FY23 in Indonesia.	4. Sustainability and environment	Increasing the proportion of PCR plastic in the Group's products to avoid tax on virgin plastics. Improving the Group's capabilities in revenue growth management, marketing and supply chain. The temporary loss of production is highly unlikely to affect the Group's performance as there is sufficient inventory on hand to cover such eventualities.

The results of the bottom-up scenario modelling showed that no individual event or plausible combination of events would have a financial impact sufficient to endanger the viability of the Group in the period assessed. It would, therefore, be likely that the Group would be able to withstand the impact of such scenarios occurring over the assessment period and would continue to operate in accordance with its bank covenants. The ratio of net debt to EBITDA at the end of FY22 of 0.1x remains substantially below the maximum covenant level under the Group's lending facilities, providing significant headroom. Current committed debt facilities mature in November 2023, however, management has held preliminary discussions with both current and prospective members of the banking syndicate and the Board is confident that renewal of the revolving credit facility will not be problematic.

Reverse stress testing

Management has performed reverse stress-testing on the key banking covenants to assess by how much the performance of the Group would need to deteriorate for there to be a breach of the covenants. For the key leverage covenant to be breached EBITDA would need to fall significantly, by more than 96% from it's current FY22 level, and the Board does not believe this scenario to be plausible. Management would take mitigating actions to avoid such a decline in performance long before it would occur, such as reducing the dividend payment, stopping capital expenditure or taking other actions to preserve cash.

INTRODUCING OUR VALUES

PZ Cussons people aspire to be our BEST

BOLD

ENERGETIC

STRIVING

TOGETHER

See Our Values / Page 18

IN OUR TEAMS WE ARE

ENERGETIC

DYNAMIC AND PROACTIVE, CAPABLE AND FLEXIBLE, EMBRACING CHANGE AND MOVING FAST INTO THE FUTURE

Our ENERGETIC value in action:

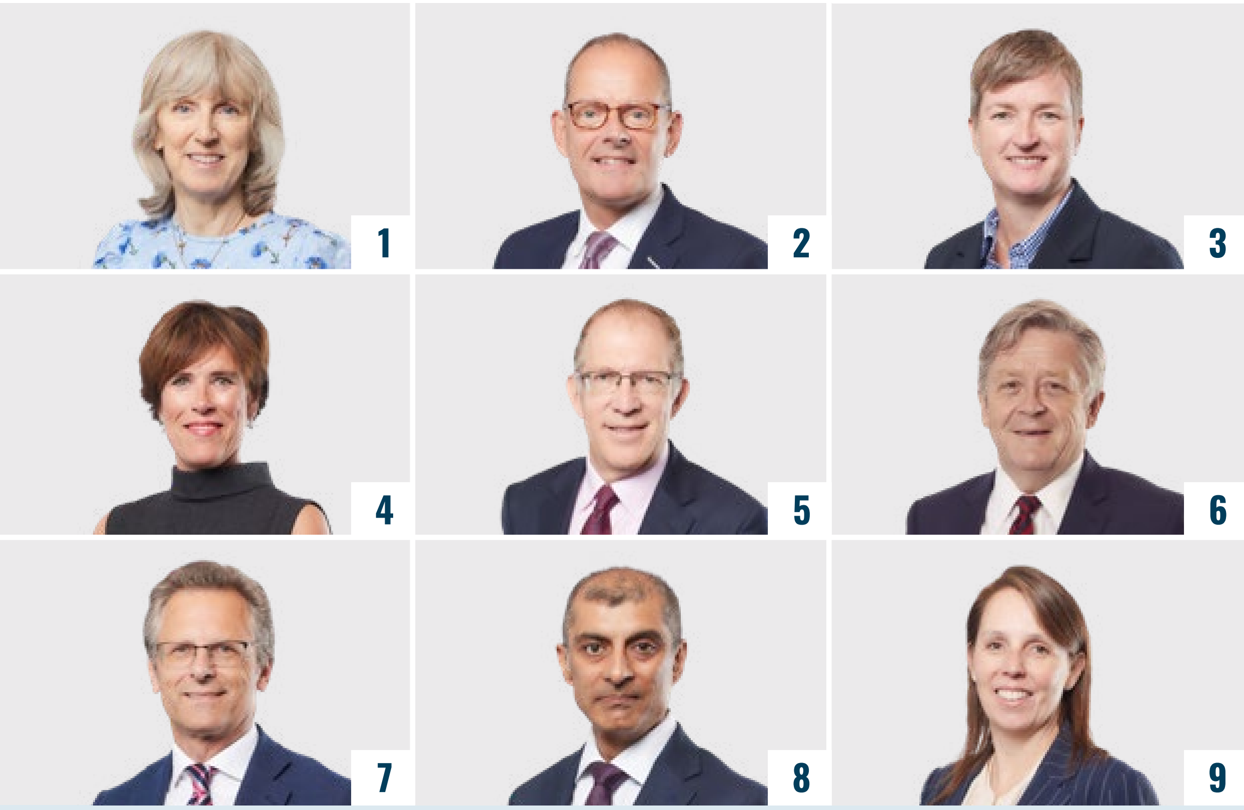
WE ARE UP FOR EVERY CHALLENGE

- adapting with agility to stay ahead
- responding at speed, building momentum
- evolving to overcome every obstacle in our way

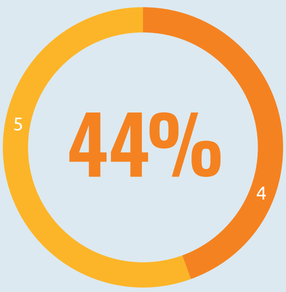
GOVERNANCE

OUR BOARD

A DIVERSE AND EXPERIENCED BOARD.

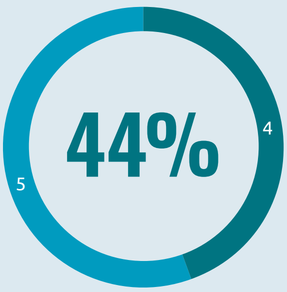


Gender diversity*



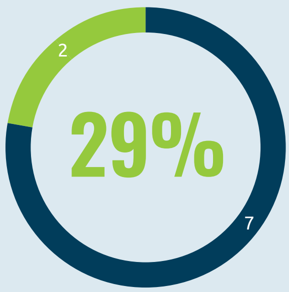
- Female
- Male

Tenure



- 0–3 years > 5 directors
- 4–7 years > 4 directors

Ethnicity



- Other
- British

* As at 31 May 2022 and as at the date of the report.

Directors' core areas of expertise

- UK institutional shareholders
- Recent financial experience
- Remuneration experience
- Chair skills
- Mentoring and coaching skills
- Sector experience
- Retail experience
- Africa experience
- South-East Asia and ANZ experience
- Entrepreneurial experience
- Operational experience
- Strategy
- M&A, strategic partnerships
- M&A integration
- Business transformation
- E-commerce
- Sales and marketing

1 Caroline Silver N E

Non-Executive Chair

Appointed: 2014

Skills & experience: Caroline Silver joined the PZ Cussons Board as a Non-Executive Director in 2014, becoming Senior Independent Director in 2016 and Chair in 2017. She is a chartered accountant and over a 30+ year career in investment banking. She has previously held senior corporate finance and mergers and acquisitions positions at Morgan Stanley, Merrill Lynch and most recently at Moelis and Company. She has a wealth of international experience, especially within African markets.

Independent on appointment: Yes

Other appointments:

- Non-Executive Director of BUPA
- Non-Executive Director of The Intercontinental Exchange, Inc.

2 Jonathan Myers E

Chief Executive Officer

Appointed: 2020

Skills & experience: Jonathan is an experienced FMCG executive, having worked for a number of well-known global branded consumer goods businesses across a range of categories including beauty, personal care, home care and food. Prior to joining PZ Cussons on 1 May 2020, he was chief operating officer at Avon Products Inc, an international beauty company where he had overall responsibility for supply chain, marketing, digital, research & development and IT functions and was a core member of the executive team delivering a successful turnaround of the business.

He spent the first 21 years of his career at Procter & Gamble, where he worked across a wide range of categories and had extensive experience in developed and developing markets across Europe, Asia, South America and beyond. At Procter & Gamble he progressed to general manager, oral care and feminine care for the Greater China Region, before moving to the Kellogg Company, the worldwide cereal and snacks group, where he held a number of senior leadership positions, serving as managing director, UK and Ireland from 2012 and then also vice president, European markets, from 2014.

Independent: No

3 Sarah Pollard E

Chief Financial Officer

Appointed: 2021

Skills & experience: Sarah joined PZ Cussons from Nomad Foods, Europe's leading frozen food company, where she most recently served as deputy chief financial officer. Prior to that, she was CFO for their Birds Eye business. Sarah is a chartered management accountant, having qualified with PricewaterhouseCoopers, and subsequently worked in investment banking, specifically in mergers & acquisitions at Deutsche Bank. Prior to Nomad Foods, Sarah held a number of senior finance positions at Diageo, Tesco and Unilever. She has worked in commercial, operational and corporate finance roles including investor relations and so brings with her a deep understanding of creating shareholder value in the consumer goods sector.

Independent: No

4 Kirsty Bashforth N R E

Non-Executive Director

Appointed: 2019

Skills & experience: Kirsty is Chief Business Officer at Diaverum AB. Prior to this she ran her own consultancy business QuayFive for four years, advising CEOs on change, organisational culture and leadership, having previously held a number of senior executive positions during a 24-year career at BP. These included leading the strategic co-ordination of BP's global B2B businesses and as group head of organisational effectiveness. Kirsty is an experienced remuneration committee chair and has assumed this role on the Board from 1 July 2020.

Independent: Yes

Other appointments:

- Non-Executive Director of Serco Group plc

5 Jeremy Townsend A R E

Non-Executive Director

Appointed: 2020

Skills & experience: Jeremy served as chief financial officer of Rentokil Initial plc until August 2020. An experienced FTSE 100 finance director, he was previously group finance director of Mitchells & Butlers and held senior finance positions at Sainsbury's after starting his career with Ernst & Young. He is also a former Accounting Council member of the Financial Reporting Council. He currently serves as a non-executive director of NHS England and chairs its audit and risk committee.

Independent: Yes

6 John Nicolson A N E

Senior Independent Director

Appointed: 2016

Skills & experience: John has significant experience of global consumer goods for both developed and emerging markets. His early career in marketing and sales was spent at ICI, Unilever and Fosters Brewing Group, then in corporate development and general management. He was a plc board member at Scottish & Newcastle plc, regional president Americas and executive committee member at Heineken NV and more recently Chair of AG Barr plc. He has also held the positions of chairman at Baltika OAO, deputy chairman at CCU SA, director at United Breweries Ltd India, non-executive director at North American Breweries, and member of the advisory board at Edinburgh University Business School.

Independent: Yes

7 Dariusz Kucz A N E D

Non-Executive Director

Appointed: 2018

Skills & experience: Dariusz Kucz joined the PZ Cussons Board as a Non-Executive Director on 1 May 2018. Until recently, he was chief top-line officer of Haribo, the international confectionery company, leading its global commercial operations. He has previously held senior leadership roles at Danone, where he led the baby food business in the Asia Pacific, and Wrigley, where he was regional VP, Central and Eastern Europe.

Independent: Yes

8 Jitesh Sodha A R E

Non-Executive Director

Appointed: 2021

Skills & experience: Jitesh Sodha is an experienced FTSE director and is the chief financial officer at Spire Healthcare Group plc which he joined in 2018. He also sits on the disclosure committee, executive committee and safety, quality and risk committee at Spire Healthcare. Jitesh was previously chief financial officer at De La Rue between 2015 and 2018, and at Green Energy International, Mobile Streams, where he led their IPO, and T-Mobile International UK.

Independent: Yes

Other appointments:

- CFO of Spire Healthcare Group plc

9 Valeria Juarez R E

Non-Executive Director

Appointed: 2021

Skills & experience: Valeria is the SVP of digital commerce for Ralph Lauren International based in London. Over the last 25 years, she has worked across multiple regions at different companies including Ralph Lauren, Amazon, Diageo, Boston Consulting Group and Procter & Gamble. She is an international business leader with a focus on digital and business transformation. She has extensive experience of general management, digital, strategy, commercial, innovation and marketing covering fashion, branded consumer goods and online retailing.

Independent: Yes

Committees

- A Audit & Risk Committee
- N Nomination Committee
- R Remuneration Committee
- E ESG Committee
- D Director with responsibility for representing the employee voice and employee engagement
- ● Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

This past year has seen further strategic progress and continuing governance improvements as we strive to create a simpler business with the right focus on governance and controls.

Caroline Silver
Non-Executive Chair

Board composition and succession planning

It has been a relatively stable year for our Board with our most recent Directors, Jitesh Sodha and Valeria Juarez joining in July and September 2021 respectively. After a few years of significant change to our Board and Executive Leadership Team, FY22 saw a focus on establishing our ways of working and ensuring good communications and performance. The Board has seen significant improvements over the year in terms of Board processes and the quality of management reporting, which in turn has made for better Board meetings with a greater focus on strategy and growth. Our most recent internally facilitated Board evaluation showed that we believe our Board to have a strong mix of skills to lead the Company through its transformational journey and to meet the challenges that lie ahead. The appointment of Jitesh Sodha demonstrates our commitment to the board composition requirements of The Parker Review on ethnic diversity.

Succession planning will be a priority for the Board in FY23. I will be reaching my ninth anniversary on the Board in April 2023, and in line with the Corporate Governance Code I do not intend to stand for re-election at the 2023 AGM. A process has begun to identify my successor, led by John Nicolson, as SID. Further details are set out in the Nomination Committee report. Also having recently strengthened our Executive Leadership Team, the Board will need to ensure that we refresh our executive succession plans to reflect our new team structure, with the appropriate focus on inclusion and diversity.

ESG

As we announced in last year's annual report and accounts, the Board has increased its focus on ESG, creating a standing ESG Committee of the Board. Over the course of the year, the Committee established its terms of reference and set out an ambitious agenda which included the approval of our revised sustainability targets which were recently published on our website at www.pzcussons.com and which are explained on page 116, and 44 of this Report.

Internal controls

We have continued to make improvements to our internal controls environment, both to continue to address some of the areas for improvement identified in the controls review we commissioned in FY20, and also to prepare for anticipated changes to legislation and regulation relating to corporate governance and internal controls. This controls transformation project has been overseen by the Audit & Risk Committee, and more details are set out in the Audit & Risk Committee report on page 110.

Following FY21's launch of our new Group Code of Ethical Conduct, FY22 saw the launch of e-learning modules, training seminars in our factories and an online certification programme aimed at ensuring that the Code is fully-embedded throughout our business. I am pleased to say we saw a high degree of engagement both in terms of participation in the training modules and in overall awareness of the Code and its requirements.

FY22 also saw the launch of a refreshed Supplier Code of Conduct, aimed at ensuring that our standards of ethics and integrity apply throughout our supply chain. Initial responses to the new Supplier Code of Conduct have been positive. Lastly, we partnered with Dow Jones to launch a third party risk management tool to enable us to more effectively conduct screening and due diligence throughout our supply chain.

Values, Purpose and Culture

After launching our new strategy just over a year ago, the Board also supported the launch of a new set of values for the Group. Our BEST values were launched earlier in FY22 to a very positive reception and the Board believe that these values strongly reflect and support the Company's culture and purpose. Our new values were developed internally through extensive consultation with our teams and so the Board sees a strong sense of ownership of our BEST values within our employee base. Following the launch of our BEST values, the Board engaged directly with employees in a number of different ways, from internal social media, to Town Hall and small group sessions held by a number of our Directors as they travelled to our priority markets. Further details on the launch of our BEST values are set out on page 18.

Outlook

Looking ahead, in FY23 we will be continuing our focus on ESG and the implementation of our sustainability strategy. Succession planning, both in terms of the current Chair succession activities but also refreshing longer term succession plans for key Board and Executive roles, will also be a priority through the work of the Nominations Committee. In addition, we will continue to focus on strengthening our governance processes and internal controls and continue to execute our transformational plans to simplify our business in line with our strategy.

I firmly believe that we have the correct strategy in place, supported by the right individuals at Board level and throughout the business, and that we will continue the progress we have made in driving performance and operational improvement throughout FY22.

Caroline Silver
Non-Executive Chair

28 September 2022

BOARD LEADERSHIP AND COMPANY PURPOSE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

As a company with a premium listing on the London Stock Exchange, PZ Cussons is required under the Financial Reporting Council (FRC) Listing Rules to comply with the Code Provisions of the Corporate Governance Code 2018 issued in July 2018 (the '2018 Code'), which is available on the FRC website (www.frc.org.uk). The principles and provisions of the 2018 Code have applied throughout the year ended 31 May 2022. The Board considers that it has fully complied with the 2018 Code during the financial year covered by this Annual Report and Financial Statements.

Board leadership

The Board's role is to provide leadership and set the purpose, values and standards of the Company and the Group. PZ Cussons' business model and strategy is set out on pages 8 and 24 of the Strategic Report and describes the basis upon which the Company generates and preserves value over the long term.

How the Board operates

The Board has overall authority for the management and conduct of the Group's business, strategy and development and is responsible for ensuring that this aligns with the Group's culture. The Board ensures the maintenance of a system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of the systems in place. The Board delegates the day-to-day management of the business to the Executive Directors and the ELT. There is a schedule of matters reserved for the Board's decision which forms part of a delegated authority framework. Matters for the Board's decision include approval of the Group's strategy and objectives, setting the purpose and values of the Group, annual budgets, material agreements and major capital expenditure. The schedule is reviewed regularly to ensure that it is kept up to date with any regulatory changes and is fit for purpose. The last review and revision was undertaken in July 2022.

The Board held six scheduled meetings during the year. A rolling agenda and forward calendar has been agreed and the agenda for each meeting is agreed with the Chair and Executive Directors. Board papers are circulated to Directors in advance of the meetings. If a Director cannot attend a meeting, he or she is able to consider the papers in advance of the meeting and will have the opportunity to discuss them with the Chair or Chief Executive and to provide comments.

Conflicts of interest

The Company Secretary keeps a register of all Directors' interests. The register sets out details of situations where each Director's interest may conflict with those of the Company (situational conflicts). The register is considered and reviewed at each Board meeting so that the Board may consider and authorise any new situational conflicts identified.

Director concerns

Directors have the right to raise concerns at Board meetings and can ask for those concerns to be recorded in the Board minutes. The Group has also established a procedure which enables Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense.

Details of the way the 2018 Code has been applied can be found in the following pages:

Division of responsibilities
Page 103

Composition, succession and evaluation (including the Nomination Committee report)
Pages 106 to 109

Audit, risk and internal control (including the Audit & Risk Committee report)
Pages 110 to 115

Remuneration (the Directors' Remuneration report)
Pages 132 to 143

Board Activity

Board activity during the year

July 2021	September 2021	November 2021	January 2022	March 2022	May 2022
• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Board evaluation report • Review proposed set up of ESG Committee • Governance review including updating the schedule of matters reserved for Board decision, statement of Board responsibilities • Market review – ANZ	• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Approval of full-year results announcement • Dividend recommendation • Approval of Annual Report and financial statements • Approval of AGM materials • Approval of Company values • Market review – Indonesia	• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Approval of ESG Committee terms of reference • Review of committee memberships	• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Review of interim results • Market review – Nigeria	• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Budget planning and approach • Market review – UK personal care • Functional review – Supply Chain • TCFD and ESG reporting requirements	• CEO report and strategy discussions • CFO report and operational discussions • Report from Committee Chairs and Employee Engagement Champion • Budget approval • Market review – Beauty • Functional review – Finance • Review of committee terms of reference • Approval of Sustainability Charter

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Stakeholder engagement

Workforce engagement

The Board recognises that employee engagement is the responsibility of the whole Board. For FY22 a plan was approved by the Board setting out agreed principles on engagement, core themes to address based on feedback from the global employee survey and a calendar of events to ensure engagement takes place across the year, and across all markets. A designated Non-Executive Director, Dariusz Kucz, has responsibility for ensuring that the Board successfully engages with our workforce and reports on progress at most Board meetings.

Core themes for the year have been:

- Strategy, including new purpose, culture and values
- Employee safety and wellbeing
- Learning and careers
- Adjusted working practices through and beyond the Covid-19 pandemic.

As well as the global employee survey, other forms of engagement include regular Town Halls – both globally and locally, workforce engagement on executive remuneration, designated NED market visits, and regular meetings with Culture Ambassadors who play an important role in driving cultural change.

The Board continues to monitor the Company's culture throughout our business transformation, having received a training presentation on measuring company culture during the year and receiving periodic reports from management and its own engagements whether through employee surveys, town hall meetings, individual engagements during Board travel and through the launch of the BEST Values and our refreshed Company purpose.

For FY23 the plan for employee engagement will continue to be developed, and will incorporate findings from the annual global employee survey, together with feedback from the engagement sessions that have taken place in the past year.

Shareholder engagement

The Chair is responsible for effective communication with the shareholders and is available to meet with investors periodically throughout the year. The Chair writes to key investors annually to offer a meeting without management present to ensure any concerns or questions can be raised directly to the Non-Executive Directors. The CEO and CFO are the Company's principal contacts for investors, analysts, press and other interested stakeholders. The Board receives investor feedback reports as part of the CEO's report at each Board meeting, outlining recent dialogue with investors and the feedback received. Analyst reports are also made available to the Board.

The Chair and Senior Independent Director are available to shareholders to discuss governance and strategy concerns as appropriate and the Committee Chairs are available at the AGM for shareholder questions.

At the 2021 AGM, resolutions re-electing two Non-Executive Directors were passed with the necessary majority but with a number of votes against by the independent shareholders. Following this, the Board has engaged with shareholders and will continue to do so to balance the views of all shareholders.

Annual General Meeting (AGM)

At each AGM there is an update on the progress of the business over the last year and also on current trading conditions. All shareholders, including private investors, have an opportunity to present questions to the Board at the AGM, and the Directors make themselves available to meet informally with shareholders before and after the meeting.

The notice of AGM is posted to all shareholders at least 20 working days before the meeting. Separate resolutions are proposed on all substantive issues and voting is conducted by a poll. The Board believes this method of voting is more democratic than voting via a show of hands since all shares voted at the meeting, including proxy votes submitted in advance of the meeting, are counted.

For each resolution, shareholders will have the opportunity to vote for or against or to withhold their vote. Following the meeting, the results of votes lodged will be announced to the London Stock Exchange and displayed on the Company's website.

Division of responsibilities

The responsibilities of the Chair, Chief Executive Officer, Senior Independent Director and Board and Board Committees are clear and set out in writing.

Role	Responsibilities
Chair of the Board Caroline Silver	The Chair of the Board is responsible for ensuring overall Board and individual Director effectiveness and for creating and embedding the right governance framework within the Board. Specific responsibilities include: • Effective running of the Board including setting the agenda and ensuring that the Board plays a full and constructive part in the approval of the Group's strategy and overall commercial objectives • Ensuring members of the Board receive accurate, timely and clear information • Reviewing and agreeing training and development for the Board • Ensuring an appropriate balance is maintained between Executive and Non-Executive Directors with the skills, experience and expertise to provide guidance, challenge and oversight to the Board and executive management • Ensuring there is effective communication with the Group's shareholders and other stakeholders • Ensuring that the performance of the Board as a whole, its Committees, and individual Directors is formally evaluated • Promoting high standards of integrity and corporate governance throughout the Group, particularly at Board level.
Chief Executive Officer Jonathan Myers	The CEO is accountable to the Chair and the Board for providing timely, accurate and clear information in relation to the Group's performance and delivery of its strategy and overall commercial objectives. In addition the CEO is responsible for: • Developing the Group's objectives and strategy for approval by the Board, and with regard for the Group's shareholders, customers, employees and other stakeholders • The successful achievement of objectives and execution of the Group's strategy • Managing the Group's risk profile in line with the Company's risk appetite and ensuring that effective internal controls are in place • Ensuring effective communications with shareholders • Executive management matters affecting the Group and leading the Executive Leadership Team • Promoting and conducting the affairs of the Group with standards of integrity and corporate governance that align to the Group's integrity and purpose • Advising and making recommendations in respect of management succession planning and to make recommendations on the terms of employment and remuneration of the ELT • Ensuring open, honest and transparent dialogue between the Board and the ELT • Ensuring, with the support of the Company Secretary, that the Executive Leadership Team comply with their delegated authority and the matters reserved for the Board • Leading and overseeing the development and implementation of good governance policies relating to whistle-blowing, insider dealing, disclosure, anti-corruption, safety and sustainability • Promoting an entrepreneurial and ethical culture which welcomes and supports a diverse workforce • Championing the Group's values and behaviours.
Chief Financial Officer Sarah Pollard	The CFO's responsibilities include: • Implementing the Group's financial strategy, including balance sheet management and capital allocation • Supporting the CEO in the delivery of the Company's strategy and financial performance • Overseeing financial reporting and internal controls.
Senior Independent Non-Executive Director John Nicolson	The Senior Independent Non-Executive Director's responsibilities include: • Acting as a sounding board for the Chair and serving as intermediary for the other Directors when necessary • Being available for confidential discussions with other Non-Executive Directors • Evaluating the Chair's performance as part of the Board's evaluation process and ensuring that an independent evaluation of the performance of the Chair is completed by an external evaluator at least once every three years • Chairing meetings of the Non-Executive Directors or other meetings where appropriate • Being available to shareholders should the occasion occur when there is a need to convey concern to the Board other than through the Chair or the Chief Executive.
Non-Executive Directors	All of the Non-Executive Directors: Jitesh Sodha, Valeria Juarez, Kirsty Bashforth, Jeremy Townsend, Dariusz Kucz and John Nicolson are responsible for: • Contributing to the development of the Group's strategy • Promoting and supporting the Group's values and commitment to high standards of corporate governance • Reviewing, oversight and constructive challenge to the ELT on the delivery of the Company's objectives and strategy.

GOVERNANCE FRAMEWORK

THE BOARD

The Board's role is to provide leadership and set the purpose, values and standards of the Company and the Group. The Board has ultimate responsibility for the long-term success and sustainability of the business. It approves the Group's long-term objectives and commercial strategy and provides oversight of the Group's operations.

See pages 96 to 97

THE BOARD DELEGATES CERTAIN MATTERS TO ITS PRINCIPAL COMMITTEES*, WHICH ARE RESPONSIBLE FOR:

Audit & Risk Committee

Reviewing the Group's accounting and financial policies, its disclosure practices, internal controls, internal audit and risk management and overseeing all matters associated with appointment, terms, remuneration and performance of the External Auditor.

See pages 110 to 115

Nomination Committee

Ensuring that the structure, size and composition of the Board and the ELT are best suited to deliver the Company's strategy and meet current and future needs.

See pages 106 to 109

Remuneration Committee

Reviewing and recommending the framework and policy for remuneration of the Executive Directors and senior executives.

See pages 118 to 143

ESG Committee

Approving the Group's ESG strategy and performance targets, monitor performance by the Group against its ESG strategy and how the Group engages with key stakeholders.

See pages 116 to 117

THE EXECUTIVE LEADERSHIP TEAM (ELT)

The Board has delegated responsibility for the delivery of the Group strategy and the day-to-day operational performance of the business to the Executive Directors who work closely with their wider ELT to deliver this strategy.

* In addition to its principal Committees, the Board, from time to time, deals with certain matters in other Committees, both formal and ad hoc. Terms of reference for each Committee listed above are available on the Company's website.

Balance of independence

The Board currently comprises six independent Non-Executive Directors (excluding the Chair) and two Executive Directors. The Board is of the opinion that the Non-Executive Directors remain independent, in line with the definition set out in the 2018 Code and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. The Chair was independent on appointment.

Company Secretary

All Directors have access to the advice of the Company Secretary. The appointment and remuneration of the Company Secretary is a matter for the Board.

Board time commitments

All Directors are required to obtain permission of the Board in respect of any proposed appointments to other listed company boards prior to committing to them. The Non-Executive Directors are required, by their letters of appointment, to devote sufficient time to meet the expectations of their role as required by the Board from time to time. The Board remains satisfied that all of the Directors spend considerably more than this amount of time on Board and Committee activity.

Attendance

Each of the Directors has committed to attend all scheduled Board and relevant Committee meetings and has committed to make every effort to attend ad hoc meetings, either in person or by telephone/video call. The Non-Executive Directors meet without the Executive Directors and the Chair present at least once a year.

	Board attendance	Audit & Risk Committee attendance	Remuneration Committee attendance	Nomination Committee Attendance	ESG Committee attendance
Caroline Silver	6/6			4/4	2/2
Jonathan Myers	6/6				2/2
Sarah Pollard	6/6				2/2
John Nicolson	5/6	4/5		4/4	2/2
Kirsty Bashforth	6/6		3/4	4/4	2/2
Dariusz Kucz	6/6	5/5	2/2	4/4	2/2
Jeremy Townsend	6/6	5/5	3/4	1/1	2/2
Jitesh Sodha*	4/6	3/5	1/2	1/1	1/2
Valeria Juarez**	4/4		2/2		2/2

* Jitesh Sodha was on an extended leave of absence during 2022.

** Valeria Juarez joined the Board on 22 September 2021.

NOMINATION COMMITTEE REPORT

This year the Committee has focused on Board succession planning and continued to oversee the work being done on Talent development, Inclusion and Diversity across the Group.

Caroline Silver
Chair of the Nomination Committee

NOMINATION COMMITTEE MEMBERSHIP

Committee members	Member since
Caroline Silver	2014
John Nicolson	2016
Kirsty Bashforth	2019
Dariusz Kucz	2018
Jeremy Townsend*	2020
Jitesh Sodha*	2021
Valeria Juarez*	2021

* Directors who stepped down from committee on 23 November 2021.

For attendance at the Nomination Committee, the Board meetings and other Board Committees, please see the full attendance table / **Page 105**

DEAR SHAREHOLDERS,

On behalf of the Board, and as Chair of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 31 May 2022.

This year the Committee has focused on Board succession planning and continued to oversee the work being done on Talent development, Inclusion and Diversity across the Group.

Following the appointments to the board of Jitesh Sodha in July 2021 and Valeria Juarez in September 2021, we believe the Board has the relevant skills and balance to oversee the implementation of the Group's strategy.

Succession planning will continue to be a priority for the next year, as I will be reaching my ninth anniversary on the Board in April 2023 and, in line with the provisions of the Corporate Governance Code, intend to transition to a new Chair to be appointed in due course. John Nicolson, as SID, is leading the process of finding my successor, which is set out further down this report.

The Board remains committed to the Company's focus on inclusion and diversity and ensuring the Board and ELT reflects the diversity of our workforce and consumers in the countries in which we operate. The Board Diversity policy is available on the Company's website.

The Committee will ensure that enhancing the Board's skills, succession planning and diversity remain at the top of the agenda in the forthcoming year. While we are pleased that we are in compliance with the guidelines for gender and ethnic diversity on Boards, we will continue to work to add more diversity through subsequent Board recruiting.

COMMITTEE ROLE

- Regularly review the structure, size and composition of the Board and its Committees.
- Review the leadership and succession needs of the organisation.
- Identify and nominate for approval candidates to fill Board vacancies.
- Evaluate the Board's diversity and balance of skills.
- Evaluate the performance of the Board.
- Review the time needed to fulfil the roles of Chair, Senior Independent Director and Non-Executive Directors.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website / **www.pzcussons.com/**

PRIORITIES FOR 2023

- Continue to review talent and succession plans against the management objective of driving material improvement in succession planning.
- Successfully identify a successor Board Chair.
- Conduct an external Board effectiveness review.
- Review continuing efforts to improve Board and senior management diversity.

How the Committee operates

The Committee meets a minimum of twice a year and more frequently as necessary. During the year the Committee met four times.

Only members of the Committee are entitled to attend the meetings. Other individuals such as the Chief Executive Officer, Chief Human Resources Officer and external advisers may be invited to attend for all or parts of any meeting as and when appropriate. The Committee however ensures that it dedicates sufficient time to discussions without advisers present to facilitate candid exchanges of views by its members and to ensure the independence of the Committee is maintained.

The terms of reference were reviewed and updated during the year to ensure that they are compatible with the Corporate Governance Code 2018 (the '2018 Code') and best practice and are available on the Company's website at www.pzcussons.com.

Activities of the Committee during the year

Succession planning

During the year, the Nomination Committee established a subcommittee to lead the search and selection process of a new Chair. The appointment will be made to ensure a smooth transition. The subcommittee is committed to ensuring a diverse list in all aspects, in accordance with the Board and ELT inclusion and diversity statement and will consider diversity as part of the role description. Egon Zehnder was selected to assist with the Chair succession search as a result of a competitive process. Egon has no other interests in the Company and has been briefed as to the Board's policies and commitment to diversity.

ELT succession and appointments

During the year, the Committee oversaw the appointment of four new ELT members. These included the Managing Directors of our UK and Australia business units and two newly created roles in Sustainability and Business Development.

Talent and succession planning

The Committee has concentrated on supporting the development of talent within and below our ELT and ensuring we have a robust succession pipeline for these leadership roles. The diversity of our succession pipeline has been improved, with half of identified successors being female, and strong representation of our markets in our MD succession pipeline. Succession planning for CEO and CFO will be a focus for FY23 with both of those role having recently been filled with external hires.

The continued focus on ELT and their successors' development has led to two new initiatives:

1. Board mentoring – supporting successors and high-potential senior leaders.
2. Individual ELT assessment and development building on ELT team development, working with EYLane4, an executive development consultancy.

NOMINATION COMMITTEE REPORT CONTINUED

Board and Board Committee membership

During the year we have considered the composition of each of the Board Committees to ensure they have the relevant skills and members.

Composition and independence

The Nomination Committee is of the opinion that the Non-Executive Directors, in line with the definition set out in the 2018 Code, are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. The Chair was independent on appointment and having performed an executive role on an interim basis in 2020 to cover the CEO has now resumed her Non-Executive role. The balance of Directors (excluding the Chair) was two Executive Directors and six independent Non-Executive Directors.

The Board complies with the provisions of the Code that require that each Director seeks re-election annually. The existence of a group of controlling shareholders (see the Report of the Directors on page 146) and the election or re-election of independent Directors is subject to a dual shareholder vote at the AGM, pursuant to which re-election or election must be approved by a majority vote of the shareholders of the Company and, separately, by a majority vote of the shareholders excluding the controlling shareholders.

Diversity policy

The Company is committed to having a Board and ELT that reflect the diversity of our workforce and consumers in the countries in which we operate. The ELT and Board are committed to creating an inclusive work environment which encourages members from diverse backgrounds and with diverse perspectives and skills to collaborate and work together towards a common objective. The Board has approved an Inclusion and Diversity Policy for Board and ELT appointments which is available in full on the Company's website and is summarised below.

The Company is a signatory to the 30% Club. We believe that gender diversity is good for our business. The Company has already achieved the new FCA guidelines of 40% women on the Board, at least one member from a minority ethnic background and at least one senior position held by a woman.

When evaluating candidates for the ELT or Board, the Company seeks to make decisions based on merit and objective criteria and the needs of the ELT and Board, having due regard to the benefits of all types of diversity, including (without limitation) diversity of age, gender, social and ethnic backgrounds, disability, sexual orientation, educational and professional backgrounds and cognitive and personal strengths.

Where external recruitment agencies are used, the Company uses agencies who have signed up to the voluntary code of conduct on gender diversity and best practice or who can demonstrate equivalent commitments to inclusion and diversity.

The Company aims to achieve long and short lists of candidates that reflect its diversity commitments. In respect of Board appointments, the Company considers candidates from non-traditional corporate backgrounds, including from non-profit organisations, the public sector and academia and/or without prior listed board experience.

As at 31 May 2022, the Board comprised four female and five male Directors, equivalent to 44% female representation. Directly below Board level there were 14 ELT members, of whom 29% were female and 71% male. Direct reports of the ELT were 44% female and 56% male.

Board induction

The Nomination Committee, through the Company Secretary, oversees the induction of all Directors. The purpose of the inductions is to ensure that all Directors have an appropriate understanding of the business of the Company, the duties of the Board and its members and the legal and regulatory environment in which the Company operates. Directors who are to hold an executive role undertake additional induction activities organised by the Chief Human Resources Officer.

Board skills matrix

A Board skills matrix was reviewed as part of the FY22 Board evaluation. This matrix serves as a useful guide to future recruitment at both Board level and ELT level to ensure there was a balance of skills across both leadership teams and the balance of skills complemented each other.

Board and Committee performance evaluation and Board effectiveness reviews

To evaluate its own effectiveness, the Board undertakes annual effectiveness reviews using a combination of externally facilitated and internally run evaluations over a three-year cycle. The cycle of the Board evaluations is summarised as follows:

YEAR 1	YEAR 2	YEAR 3
Externally facilitated Board evaluation using interviews. The next external evaluation will take place in 2023.	Follow-up on action prepared in response to the year one evaluation using internally facilitated questionnaires.	Continued follow-up on actions arising from the previous two years using internally facilitated questionnaires.

2022 Board and Board Committee effectiveness review

Internally facilitated reviews via questionnaire of the Board, Board Chair, Nomination Committee, Remuneration Committee and Audit & Risk Committee were used for the Board and Board Committee effectiveness reviews for 2022. Separate questionnaires were completed for each of the Board and the Board Committees.

The Board questionnaire was completed by all of the Directors and the Company Secretary. Members of each Board Committee along with regular attendees at Committee meetings completed the Board Committee questionnaires. Each Committee considered the results of their evaluations. A separate questionnaire was also completed by all Directors and the Company Secretary on the performance of the Chair. On the whole, the evaluations were positive and concluded that good progress had been made, particularly in relation to the increased focus on ESG.

Recommended objectives for FY23 which were adopted by the Board include, in addition to those listed in each Committee section:

- Review risk management processes and develop a fuller view of the Company's risk profile, principal and emerging risks and risk appetite
- Improve the use of technology and data to facilitate board discussion and decision-making purposes
- Introduce more targeted Board training and development sessions including a travel programme to priority markets.

Caroline Silver
Nomination Committee Chair

28 September 2022

AUDIT & RISK COMMITTEE REPORT

The Committee has continued to focus on embedding the processes and controls that have been put in place following the KPMG report in 2020. This control transformation update has been closely monitored by the Committee, with the main benefits primarily related to risk reduction.

Jeremy Townsend
Chair of the Audit & Risk Committee

AUDIT & RISK COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year are set out below:

Committee members	Member since
Jeremy Townsend	2020
John Nicolson	2016
Dariusz Kucz	2018
Jitesh Sodha	2021

For attendance at the Audit & Risk Committee, the Board meetings and other Board Committees, please see the full attendance table / **Page 105**

DEAR SHAREHOLDERS,

I am pleased to present the Committee's report for the financial year ended 31 May 2022 which sets out a summary of the work of the Committee and how it has carried out its responsibilities during the year.

The Committee has continued to focus on embedding the processes and controls that have been put in place following the KPMG report in 2020. This control transformation update has been closely monitored by the Committee, with the main benefits primarily related to risk reduction. This regular focus from the Committee, recognising the progress made while supporting management to adapt plans where necessary, helps ensure continued focus on addressing the KPMG report findings, with the support of Internal Audit.

The Committee recognises that Internal Audit plays a key role in controls improvement and ensuring cultural changes are embedded is critical but can be difficult to measure and quantify.

Over the course of FY22, the Committee reviewed and approved a number of improved accounting processes and controls improvements. In FY21 the Company moved away from the use of 'exceptional items' in favour of 'adjusting items'. In FY22 the Committee adopted a formal policy on the classification of adjusting items and these are now routinely reviewed by the Committee against that framework for the purposes of reporting financial results externally. The Committee also reviewed and approved a controls transformation project which as well as being an evolution of a number of the individual items that had been proposed in response to the 2020 KPMG controls review, will introduce an improved internal control framework and environment in anticipation of future legislation and corporate governance reform, along with a review and improvement of finance shared services organisation design, capability, control and efficiency. These improvements and fresh approaches have given the Committee confidence that we are on the right path to building a more robust controls culture within the business. While progress has been made, the Committee is aware that this ambitious transformation will involve considerable work. The importance of this controls improvement process is only heightened by the current discussions and consultations around audit reform and regulatory change.

During the year, the Committee also reviewed the Committee's terms of reference to ensure continued alignment with the 2018 UK Corporate Governance Code and best practice.

COMMITTEE ROLE

- Monitor the integrity of the Financial Statements and announcements and review significant financial reporting requirements, issues and judgements.
- Recommend the appointment and removal, approve the terms and remuneration, and assess the independence and performance of the External Auditor, reviewing the scope, findings, cost effectiveness and quality of the audit.
- Review the adequacy and effectiveness of the Group's risk management systems and mitigation programmes.
- Review the adequacy and effectiveness of the Group's systems and processes for internal financial control.
- Review the independence, effectiveness and output of the Group's Internal Audit function and programme.
- Review the adequacy of the Group's whistle-blowing arrangements and procedures for detecting fraud.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website / **www.pzcussons.com/**

PRIORITIES FOR 2023

- Oversee and assess management's continued progress on internal controls.
- Review financial accounting and reporting.

We have reviewed the significant financial reporting matters and judgements identified by the finance team and Deloitte through the external audit process, and the approach to addressing those matters is set out in the table on page 112 of this report.

An internal review of the Committee's effectiveness was carried out through the completion of a questionnaire by each of its members together with the Board Chair, the CEO, the CFO, the Company Secretary and the Group Financial Controller. The results were positive with objectives for FY22 achieved, and good management of relationships with key stakeholders. On the back of this review, objectives for FY23 include reviewing and developing effective risk management systems and auditor succession.

Our regular programme of meetings and discussions, supported by our interactions with the Company's management, External Auditor and the quality of the reports and information provided to us, enables the Committee members to effectively discharge our duties and responsibilities.

How the Committee operates

The Committee meets a minimum of three times a year and more frequently as necessary. During FY22 the Committee met five times. This enabled a focus on the full-year and interim results in September and January and a focus on internal audit, risk and audit planning in the remaining meetings.

Only members of the Committee are entitled to attend the meetings. However, other Directors and other individuals (including representatives of external advisers) may be invited to attend for all or parts of any meeting as and when appropriate. The Chief Financial Officer, Group Head of Risk and Internal Audit and external audit lead partner are invited to attend meetings of the Committee on a regular basis. During the year the Chair of the Board, the Chief Executive Officer and the Group Financial Controller routinely attended to review specific risks and mitigating action plans. The Company Secretary acts as secretary to the Committee.

As Chair of the Committee, I have held a number of senior finance director roles throughout my career. I served as Chief Financial Officer of Rentokil Initial Plc, the FTSE 100 commercial pest control and hygiene services business, until retiring in August 2020. I am a former Accounting Council Member of the Financial Reporting Council and have held non-executive director and audit committee chair roles in a number of businesses including Galliford Try plc and WM Morrison Supermarkets plc. The experience of the other Committee members is summarised on page 97. The Board considers each Committee member is independent and has a broad and diverse spread of commercial and relevant industry experience, such that the Board is satisfied that the Committee has the appropriate skills and experience to be fully effective and meets the 2018 Code requirement that at least one member has significant, recent and relevant financial experience.

Activities during the year

Relationship with the External Auditor

The Committee has primary responsibility for managing the relationship with the External Auditor, including assessing their performance, effectiveness and independence annually and recommending to the Board their reappointment or removal.

Following a comprehensive tender in 2017, Deloitte LLP ('Deloitte') were appointed as the Group's Auditor so this is their fifth year of auditing the Group.

Jane Boardman has been lead partner since Deloitte became the Company's auditors for FY18 and she will rotate off the audit following the FY22 audit.

Deloitte will continue as auditor through FY23 under a new lead partner, John Charlton, while the Committee undertakes a tender exercise. The Committee intends to launch such a tender imminently and has had a number of positive discussions with potential successors.

During the year, the members of the Committee regularly met with representatives from Deloitte without management present, to ensure that there were no issues in the relationship between management and the External Auditor which it should address. There were no material issues raised in this regard throughout FY22.

AUDIT & RISK COMMITTEE REPORT CONTINUED

The Committee considers the nature, scope and results of the External Auditor's work and reviews, develops and implements a policy on the supply of any non-audit services that are to be provided by the External Auditor. It receives and reviews reports from the Group's auditors relating to the Group's Annual Report and Financial Statements and the external audit process.

In respect of the audit for the financial year ended 31 May 2022, Deloitte presented their audit plan (prepared in consultation with management) to the Committee. The audit plan included an assessment of audit risks, and robust testing procedures.

The Committee approved the implementation of the plan following discussions with both Deloitte and management.

Audit and non-audit fees

The Company paid £2.1 million in audit fees for the financial year ended 31 May 2022.

Regarding non-audit services, the Company has a practice of limiting Deloitte LLP to working on the audit or such other matters where their expertise as the Company's auditor makes them the logical choice for the work. This is to preserve their independence and objectivity. In the year the Group paid £40,000 to Deloitte in respect of the review of the interim statement released in February 2022 and £700 in respect of services rendered to witness and report on the destruction of stock in Thailand. The non-audit to audit fee ratio is 1.9%.

Effectiveness and independence

The Chair of the Committee speaks to the audit partner to find if there are any concerns, to discuss the audit reports and to ensure that the auditor has received support and information requested from management.

In accordance with the guidance set out in the Financial Reporting Council's 'Practice aid for audit committees' the assessment of the external audit has not been a separate compliance exercise, or an annual one-off exercise, but rather it has formed an integral part of the Committee's activities.

This has allowed the Audit & Risk Committee to form its own view on audit quality, and on the effectiveness of the external audit process, based on the evidence it has obtained during the year.

Sources of evidence obtained and observations during the year:

By referring to the FRC's practice aid on audit quality.	The Committee has looked to this practice aid for guidance and has ensured that assessment of the audit is a continuing and integral part of the Committee's activities.
Observations of, and interactions with, the External Auditor.	The Committee has met with the lead audit partner without management and has had an open dialogue regarding the Committee's view of Deloitte's performance and overall working relationship between the Company and its external auditor.
The audit plan, the audit findings and the External Auditor external report.	The Committee scrutinises these documents and reviews them carefully at meetings and by doing so the Committee has been able to assess the external auditor's ability to explain in clear terms what work they performed in key areas, and also assess whether this is consistent with what they communicated to the Committee at the audit planning stage. The Committee has also regularly discussed the content of these reports in the meetings.
Input from those subject to the audit.	The Committee has requested the insights from the Chief Financial Officer, the Group Head of Risk and Internal Audit and the Group Financial Controller during the audit process.

Having regard to these matters the Committee has considered the effectiveness of the external audit process and is of the opinion that the External Auditor has demonstrated professional scepticism and challenged management's assumptions where necessary.

The Audit Committee is satisfied with the scope of Deloitte's work, and that Deloitte continues to be independent and objective.

Key judgements and estimates

The Committee reviewed the external reporting of the Group including the interim review and the Annual Report and Financial Statements. In assessing the Annual Report and Financial Statements, the Committee considers the key judgements and estimates. The significant issues and improvements considered by the Committee in respect of the year ended 31 May 2022 are set out on the following page:

Significant issues and judgements	Decisions and improvements
Areas of significant financial judgement	The Committee considered a number of areas of significant financial judgement throughout the year. The key areas covered involved the accounting treatment related to various claims, disputes and settlements; the treatment of trade expenditure and the processes and controls in place to manage associated risks; the process of identifying specific adjusting items; the treatment of uncertain tax positions across the Group; and impairment testing of goodwill, intangible assets and tangible assets and associated discount rates, including a reassessment of the definition of cash generating units within the Beauty business for impairment purposes. Additional focus was given to tax and definition of cash generating units due to the prior year restatements. More information is available in note 1c. The Committee accepted the judgements recommended by management having challenged them and considered alternative options.
Controls transformation	The Committee monitored improvements to internal controls and increased its focus on embedding controls improvements throughout the Group. The Controls Transformation project is focused on improving the use of SAP, process controls and cultural issues. It aims to establish an effective internal controls framework in anticipation of future corporate governance reform changes as well as improving finance shared services, organisation design, capability, controls and efficiency.
Risk management	The Committee reviewed the development of risk registers throughout the Group and how they are integrating with year-end risk reporting processes. There will be a mapping exercise of risks against the long-term strategy, and input will be sought from external stakeholders.
Ethics and compliance	Following the prior year launch of the Code of Ethical Conduct, the Committee reviewed the ongoing training and confirmation surveys conducted by management to gauge the effectiveness of the programme. The Committee also monitored investigation reports and was satisfied that management was significantly reducing the Company's risk profile for fraud and compliance issues.
TCFD	The Committee engaged the services of Willis Towers Watson to conduct a physical and transition risk assessment to facilitate the Company reporting against four key themes – governance and responsibility, risks and opportunities, metrics and targets and mitigation plans.

Risk Management and Internal Controls

Internal control structure

The Board oversees the Group's risk management and internal controls and determines the Group's risk appetite. The Board has, however, delegated responsibility for review of the risk management methodology, and the effectiveness of internal controls to the Audit & Risk Committee.

Review of control environment

Financial control improvements have been progressed including the further development of a Group-wide framework of control, balance sheet account reconciliations controls and the completion of a management self-assessment exercise. EY was engaged by the Company to review the Nigerian business' SAP processes, and the Committee receives updates on the progress of this review and management's responses to improve and simplify SAP processes in the Nigerian business.

The Code of Ethical Conduct provides a framework document for the PZ Cussons ethics and compliance system. The Code is supported by a range of policies including:

- Conflicts of interest policy – setting expectations for avoidance of conflicts
- Whistle-blowing policy – setting the expectation of a 'speak-up' culture
- Gifts and hospitality policy – establishing the circumstances for gifts and hospitality
- Inside information and share dealing policies – ensuring compliance with Listing and Market Abuse Regulations rules
- Anti-fraud policy – establishing a zero tolerance for fraud
- Failure to prevent the facilitation of tax evasion policy – ensuring compliance with the duty to prevent criminal facilitation of tax evasion
- Risk management policy.

While the Committee notes the controls improvements made over the course of FY22, the committee also reviewed and approved plans for a transformative change in our finance function to materially improve controls and future proof the function against business and regulatory change. This project will require significant work in FY23 and beyond.

AUDIT & RISK COMMITTEE REPORT CONTINUED

Internal Audit function

A key source of internal assurance is delivery of an internal audit plan, which is designed to help the organisation achieve its strategic priorities. The Internal Audit function is currently led by the interim Head of Internal Audit whilst we await the arrival of the new permanent Head of Risk and Internal Audit. The interim Head of Internal Audit supervises the Internal Audit teams based in the Company's main markets. There are in-house Internal Audit teams in Africa and Asia and in the UK the function is co-sourced with the Company's Internal Audit partner, KPMG LLP.

The Internal Audit Charter provides a framework within which the Internal Audit function operates and formalises the arrangements approved by the Committee for the Group Internal Audit function within the Company. The Charter reconfirms that the Internal Audit function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It helps the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control.

The FY22 Internal Audit Plan was approved by the Audit & Risk Committee in May 2021. The Group Head of Risk and Internal Audit reports progress against this plan and highlights significant findings at the Committee meetings. The Group Head of Risk and Internal Audit also has regular meetings with the Audit & Risk Committee Chair and the CFO.

The Committee has assessed the effectiveness of the Internal Audit function as part of its annual performance evaluation process and is satisfied that the current arrangements remain appropriate and effective for the Company.

Risk management

While the Board oversees the Group's risk management it delegates responsibility for review of the risk management methodology and effectiveness of the risk management process and the effectiveness of internal controls to the Audit & Risk Committee. The Risk Management Policy reaffirms that the Group recognises that the management of risk is an important component of good management practice and that the Group has an open and receptive approach to identifying, discussing and addressing risk.

The risk policy is underpinned by a revised framework that outlines the Group's underlying approach to risk management, documents the roles and responsibilities of key stakeholders and outlines key aspects of the risk management process and identifies the main reporting procedures. This risk management process and risk framework ensures that we capture and mitigate risks to the successful delivery of strategic objectives.

The risk management process covers initial risk identification, including emerging risks, assessment of the gravity of the risk, target risk and risk velocity, the extent to which risks can be mitigated and planning for and implementing effective risk mitigation activities. The Group operates both top-down and bottom-up approaches to ensure that significant strategic and operational risks are identified. The Group Internal Audit function provides independent assurance to both management and the Committee on the effectiveness of the Group's risk management framework and as to whether sound internal control systems operate to mitigate these risks. Recognising that the roles of Head of Risk and Head of Internal Audit are combined, the Committee takes specific steps to ensure the independence of the Group Internal Audit function. Accordingly, the Committee is satisfied that the risk management framework and internal control systems are effective (see Risk Management pages 84 to 85).

Whistle-blowing policy

The Company is required to maintain, subject to the oversight by the Audit & Risk Committee, a mechanism for the confidential reporting of suspected fraud and other wrongdoing. The Company has a standalone Whistle-blowing Policy as part of the Code of Ethical Conduct.

Navex Global, a leading whistle-blowing system provider, is engaged to provide a telephone and web-based reporting system for use with the Whistle-blowing Policy.

The whistle-blowing system is maintained by the Group General Counsel and the Group Head of Ethics and Compliance and is independently monitored by the Internal Audit function. The Committee receives regular whistle-blowing reports and reports on the effectiveness of the Whistle-blowing Policy and reports regularly to the Board on these matters.

Climate Related Risks

The Company supports the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures ('TCFD'). The Committee received reports from the Chief Sustainability Officer on the steps to achieve compliance with TCFD, risk identification and related mitigation plans. The Committee received and discussed the assurance process for the final TCFD statement, which can be found on pages 64 to 67.

Statement of compliance

The Company confirms that it has complied with the terms of the Statutory Audit Services for Large Companies Market Investigation (Mandatory User of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order') throughout the year. In addition to requiring mandatory audit re-tendering at least every ten years for FTSE 350 companies, the Order provides that only the Audit Committee, acting collectively or through its Chair, and for and on behalf of the Board is permitted:

- To the extent permissible in law and regulation, to negotiate and agree the statutory audit fee and the scope of the statutory audit
- To initiate and supervise a competitive tender process
- To make recommendations to the Directors as to the External Auditor appointment pursuant to a competitive tender process
- To influence the appointment of the audit engagement partner
- To authorise an External Auditor to provide any non-audit services to the Group, prior to the start of those non-audit services.

We undertook an audit tender in 2017, which resulted in the appointment of Deloitte LLP. The Committee has considered Deloitte's performance annually as External Auditor and the Chairs of the Board and of the Committee met with Deloitte during the year to assess the operation of the audit from the perspective of both parties. As a result, the Committee recommended to the Board that Deloitte LLP be offered for reappointment at the 2022 Annual General Meeting.

The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges its duties in this area by:

- Holding regular Board meetings to consider the matters reserved for its consideration
- Receiving regular management reports which provide an assessment of key risks and controls
- Scheduling regular Board reviews of strategy including reviews of the material risks and uncertainties (including emerging risks) facing the business
- Ensuring there is a clear organisational structure with defined responsibilities and levels of authority
- Ensuring there are documented policies and procedures in place
- Seeking assurance from the Group Internal Audit function
- Reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance, cash flows and financial and non-financial KPIs.

Notwithstanding the continued focus on controls improvement to be delivered in FY23, the overall controls environment of the Company has improved year-on-year.

Fair, balanced and understandable

The Directors are required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee has satisfied itself that the controls over the accuracy and consistency of information presented in the Annual Report are satisfactory, that the information is presented fairly (including the calculations and use of alternative performance measures) and has confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate, allowing the Board to make the 'fair, balanced and understandable statement' in the Directors' Responsibilities Statement.

Financial reporting

The Company reports to shareholders on its financial performance twice a year. During the 12 months prior to the date of this report, the Audit Committee reviewed the interim financial statements for the six months to 30 November 2021 and the full-year financial statements and Annual Report for the year to 31 May 2022. The principal steps taken by the Audit Committee during the past 12 months in relation to its review of the published financial statements were:

- Review of the 2021 interim financial statements and 2021 Interim Announcement and consideration of Deloitte's comments on the drafts of these documents
- Review of plan for preparing the financial statements and Annual Report for the year ending 31 May 2022
- Review of the significant judgements and estimates that impact the financial statements
- Review of the financial statements and Annual Report for the year ending 31 May 2022 and consideration of Deloitte's comments on these documents.

The Audit Committee monitors the implications of new accounting standards and other regulatory developments for the Company's financial reporting and regularly receives technical updates from the External Auditor. These technical updates have kept the Committee informed on the UK Corporate Reform and the expected timescales, the Audit Market Reform and the possible introduction of UK regulation in respect of internal controls on financial reporting (UK SOX).

Viability statement and going concern

The Committee has reviewed the basis for the Company's Viability Statement that is drafted with reference to the financial forecasts for the next three years. In light of the significant impact of Covid-19 and rising living costs on the global economy, the Committee placed additional scrutiny on the assumptions used in the forecasts to ensure they are appropriate. The Committee provides advice to the Board on the Viability Statement.

The Committee ensured sufficient review was undertaken of the adequacy of the financial arrangements and cash flow forecasts. Accordingly, the Committee recommended to the Board that the statement be approved.

Similarly, the Committee placed additional focus on the appropriateness of adopting the going concern basis in preparing the Group's financial statements for the year ended 31 May 2022 and satisfied itself that the going concern basis of presentation of the financial statements and the related disclosure is appropriate.

Jeremy Townsend
Audit & Risk Committee Chair

28 September 2022

ESG COMMITTEE REPORT

In January 2022, the Board established the ESG Committee to oversee the Company's ESG strategy and performance targets. The Committee monitors performance against the ESG goals and how PZ Cussons considers, engages with, reports to, and maintains its reputation with key stakeholders.

Caroline Silver
Chair of the ESG Committee

ESG COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year are set out below:

Committee members	Member since
Caroline Silver	2022
Jonathan Myers	2022
Sarah Pollard	2022
John Nicolson	2022
Kirsty Bashforth	2022
Dariusz Kucz	2022
Jeremy Townsend	2022
Jitesh Sodha	2022
Valeria Juarez	2022

For attendance at the ESG Committee, the Board meetings and other Board Committees, please see the full attendance table / Page 105

DEAR SHAREHOLDERS,

On behalf of the Board, and as Chair of the ESG Committee, I am pleased to present the ESG Committee report for the year ended 31 May 2022.

In January 2022, the Board established the ESG Committee to oversee the Company's ESG strategy and performance targets. The Committee monitors performance against the ESG goals and how PZ Cussons considers, engages with, reports to and maintains its reputation with key stakeholders.

Recognising the importance of ESG across the whole Group and its governance, the Committee consists of all members of the Board, and is supported by the ELT through its Sustainability Steering Committee.

The Committee's focus initially has been on reviewing the sustainability strategy and monitoring developments on our B Corp certification journey and approving key sustainability KPIs.

How the Committee operates

The Committee meets a minimum of twice a year and more frequently as necessary. The Committee first met in January 2022 and met again in May 2022.

Only members of the Committee are entitled to attend the meetings. Other individuals such as the Chief Sustainability Officer and external advisers may be invited to attend for all or parts of any meeting as and when appropriate. The Committee, however, ensures that it dedicates sufficient time to discussions without advisers present to facilitate candid exchanges of views by its members and to ensure the independence of the Committee is maintained. The Company Secretary acts as secretary for the committee.

The terms of reference were reviewed and updated during the year to ensure that they are compatible with the Corporate Governance Code 2018 (the '2018 Code') and best practice and are available on the Company's website at www.pzcussons.com.

COMMITTEE ROLE

- Approve the Group's ESG strategy and performance targets.
- Monitor performance by the Group against its ESG strategy.
- Oversee how the Group engages with key stakeholders on ESG.

PRIORITIES FOR 2023

- Progress with B Corp certification.
- Set long-term goals to align with the sustainability strategy.
- Agree plans for stakeholder engagement.
- Review plans for ensuring inclusion and diversity across our businesses.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website / **www.pzcussons.com/**

Activities of the Committee during the year

Sustainability strategy

The Committee debated and approved a new sustainability strategy and framework designed to align with the Company's purpose: for everyone, for life, for good. The strategy provides operational focus and, alongside a set of clearly defined performance targets, will support the Company in achieving its goals. More information about the sustainability strategy can be found on page 44.

B Corp certification

Our ambition is to certify our businesses as B Corps by 2026. The Committee has reviewed the process and timeline to achieve this goal and will continue to monitor this area at each Committee meeting.

Caroline Silver
ESG Committee Chair

28 September 2022

REMUNERATION COMMITTEE REPORT

In line with its delegation from the Board, the Committee sets the Company's Remuneration Policy for approval by shareholders and is responsible for the terms and conditions of the remuneration of members of the Board and the Executive Leadership Team (ELT).

Kirsty Bashforth
Chair of the Remuneration Committee (from 1 July 2020)

REMUNERATION COMMITTEE MEMBERSHIP

The Directors who served on the Committee during the year are set out below:

Committee members	Member since
Kirsty Bashforth: Chair	2019
Dariusz Kucz*	2018
Jeremy Townsend	2020
Jitesh Sodha	2021
Valeria Juarez	2021

* Director who stepped down from committee on 23 November 2021.

Dariusz Kucz retired at the 2021 AGM. For attendance at the Remuneration Committee, the Board meetings and other Board Committees, please see the full attendance table / **Page 105**

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present our 2022 Remuneration Committee report. This report is divided into three sections:

1) This Remuneration Committee Chair Statement – providing a summary of key reward implementation decisions made in the year.

2) The Remuneration Policy – the 2021–2023 Policy which was approved by our shareholders in a binding vote at the 2020 AGM.

3) The Report on Directors' Remuneration – a report on remuneration which details how the policy was applied throughout the 2022 financial year and how the Committee intends to apply the Policy in the upcoming financial year, which will be subject to an advisory vote at our 2022 AGM.

Background to remuneration decisions

Business performance

FY22 was the first full financial year of our new strategy: Build Brands for Life. Today and for future generations. The Group has made good progress, reporting a more consistent financial performance while strengthening a number of key capabilities. Like most companies in our sector, our performance during FY22 has been heavily influenced by a challenging external environment, with significant cost inflation and pressures on consumer spending.

Within this context and despite these headwinds, which included c.£40 million additional costs compared to FY21, we made good progress in FY22, including:

- A second year of like-for-like revenue growth, reporting 2.9% growth in FY22;
- Market share growth in seven of our eight existing Must Win Brands ('MWB'), due to better execution and improved returns on Brand Investment;
- Adjusted profit before tax from continuing operations declined 2.9% to £66.6 million given the challenging market environment, but was ahead of market expectations;

COMMITTEE ROLE

- To set, develop and oversee the implementation of the Directors' Remuneration Policy for the Executive Directors and senior executives, having regard for the remuneration principles of the wider organisation and the relationship between the remuneration of the members of the Board and the wider employee population.
- To evaluate the performance of and determine specific remuneration packages for each Executive Director, the Chair, the Company Secretary and the other senior executives.
- To maintain an active dialogue with stakeholders, ensuring that the shareholders and other advisory bodies' views are taken into account when setting the remuneration of senior executives and members of the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website / **www.pzcussons.com/**

PRIORITIES FOR 2023

- Review the remuneration policy in advance of the 2023 Annual General Meeting (AGM).
- Engage with shareholders on the remuneration policy and pay implementation.
- Work with management to support efforts to address the global cost-of-living challenges.

- Total of £25.8 million proceeds from the disposal of non-core assets, including the five:am yoghurt business and Nigerian residential properties;
- Acquisition of Childs Farm, which completed in March 2022 and is now a MWB.

The Board has also been focusing on building and deepening the expertise of our ELT to deliver the Group strategy and grow a robust bench of talent for the future. The Committee has given careful consideration to remuneration for the ELT to ensure there is alignment between Board level and below throughout the year.

Wider employee experience

The key remuneration developments concerning the wider employee population for FY22 are set out below:

- Employee salary levels are reviewed annually against a range of relevant inputs which includes market data, economic forecasts, pay at the Board level, and Group financial budgets. The average salary increase awarded for the broader UK employee population for FY22 was 3% of salary. The average salary increase for FY23 is anticipated to be 3.5% of salary for the broader UK workforce.
- To reward critical talent, and incentivise retention, share awards in the form of Restricted Stock Units (RSUs) have been granted below the ELT.
- FY22 bonuses for the wider employee population varied depending on the achievement of performance metrics in business units. The typical bonus paid to employees in Group roles (below the ELT) was 82.4% of target.
- The launch of our Share Incentive Plan ('SIP') in October 2021 further aligns employees with the business strategy and investors by encouraging equity participation through the wider employee population.
- As in FY21, the Company did not engage in any Covid-19 related redundancy programmes nor did it utilise any voluntary government support packages in any of its markets for FY22.
- In May, I met with the HR Leadership Team and Dariusz Kucz, in his role as representative of the employee voice, to discuss the Group remuneration strategy and context.

In addition to the above developments in employee pay and benefits, there has been a strong focus on wellbeing:

- In the UK, our Aviator Way office refurbishment includes a fully equipped gym and studio with a full-time instructor. Access to the gym and classes, (including spinning, HiT and yoga), are free to all employees. The Aviator Way offices are located very close to Manchester Airport so our carpark has been made available to those travelling abroad for the duration of their holiday.
- In Nigeria, a one-time Covid-19 payment was made to support working from home and transportation costs in the context of the increasing cost of living.
- In Australia and New Zealand, we re-launched our BEST values recognition award programme and introduced a quarterly half-day wellbeing leave initiative.
- In a move to create more equitable rewards, we are no longer pro-rating bonuses for any period of family leave for employees in the US and UK.

REMUNERATION COMMITTEE REPORT CONTINUED

Shareholder considerations

- Our share price saw some decline through FY22. The Committee did nonetheless consider whether a reduction to the LTIP grant level for FY23 would be prudent, but it concluded from its discussions that the Committee was comfortable that management's performance had been effective at minimising the risks arising from the impact of the broader volatile economic conditions.

REMUNERATION DECISIONS

The Committee carefully considered the progress made by management during the year, the impact of the trading environment on Group performance and the experience of both the shareholders and wider workforce through the financial year when reviewing incentive plan outturns and setting performance conditions and targets for the forthcoming year. Its decisions are summarised below:

Remuneration earned during the year ended 31 May 2022

The key aspects of remuneration earned during the year are as follows:

Salary

- As reported in last year's report, Jonathan Myers, Chief Executive Officer, received a salary increase of 3% (from £575,000 to £592,250) with effect from 1 September 2021 in line with the average applied to the UK employee population.
- Sarah Pollard, Chief Financial Officer also received a salary increase of 3% (from £325,000 to £334,750) with effect from 1 September 2021.

Annual bonus payout

- The FY22 annual bonus was based on three key financial indicators: 40% adjusted profit before tax, 30% revenue growth and 10% net working capital percentage, with the balance of the bonus being subject to delivery against key business objectives
  - 34% of the 80% (maximum opportunity) of bonus assessed against financial performance was achieved.
  - The Committee also assessed the performance against the key business objectives which focused on Organisational Effectiveness and Strategic Execution and determined that 100% of the available 20% was earned.
  - As such 54% of the maximum bonus was earned by the Chief Executive Officer and Chief Financial Officer.
  - Full details of the performance assessment against both the financial and key business objectives can be found on page 133.
- The overall performance outturn resulted in awards representing 82% of salary for the CEO and 68% of salary for the CFO.
- The Remuneration Committee reviewed the formulaic bonus outcome in the context of overall Group performance and taking into consideration the experience of the key stakeholders including employees and shareholders during the year. The Committee agreed that the outcome was fair and therefore no discretion was applied to the bonus outturn for FY22.

Long-term incentives

- Given their recent appointments, there were no Performance Share Plan ('PSP') awards vesting to the current Executive Directors in respect of performance periods ending 31 May 2022.
- PSP awards granted to other participants in FY19 lapsed due to the EPS targets not being met. This award was made under the previous remuneration policy and therefore prior to our overhaul of the LTIP's metrics and targets.
- Jonathan Myers was granted a PSP award during 2022 over shares to the value of 150% of salary and Sarah Pollard was granted a PSP award over shares to the value of 125% of salary. These awards will vest to the extent EPS, Must Win Brands and Sustainability targets are met over the period to 31 May 2024.

Our approach to remuneration for the year ending 31 May 2023

The approach to remuneration implementation for FY23 is in line with the approved remuneration policy and is largely unchanged from FY22. However, some key changes to the implementation of pay for FY23 include:

- Base salaries
  - The base salary for the Chief Executive Officer has been increased to £612,979 by 3.5% with effect from 1 September 2022 in line with the average level awarded to the wider employee population in the UK.
  - Sarah was appointed as Chief Financial Officer in January 2021. She has since performed very strongly and has additionally played an instrumental role in building deeper capability within the Group's finance team. Sarah was appointed on a salary of £325,000, materially lower than the salary paid to her predecessor (£371,000) and this remained the case following her salary increase of 3% to £334,750 last year.

In the FY21 Remuneration Committee report, when discussing the Chief Financial Officer's starting salary, the Committee set out its intentions to ensure that base salary levels remain market competitive based on performance and increased experience in post over time. The Committee determined, having reflected on a number of inputs including, the Chief Financial Officer's strong performance in role, total compensation market data for Chief Financial Officers at companies of a similar financial size in both the FTSE and other consumer goods companies and pay increases and positioning for our employees below the Board, to increase the Chief Financial Officer's salary from £334,750 to £370,000 (with effect from 1 September 2022) which represents an increase of 10.5%. The Committee is cognisant that this increase is larger than we have historically made, however, we are comfortable that the circumstances warrant such an increase to ensure that pay reflects performance is market competitive and retentive.

- Incentive plan measures, weightings and targets
  - Performance measures currently in place continue to reflect our strategy and are key milestones that pave the way for our goal to have all businesses become B Corp by 2026, therefore no changes are proposed to the overall performance, measures and weightings attached to the annual bonus and LTIP grant for FY23. However, some changes have been made to the underlying goals and targets to reflect the evolving ongoing priorities of the Group:
  - The annual bonus Key Business Objectives have been updated for FY23.
  - The LTIP sustainability targets for FY23 have been updated to reflect our long-term priorities: carbon neutrality, packaging sustainability and employee wellbeing. All of which are key to our journey towards B Corp certification. Further details are set out on page 136.
  - The LTIP targets for the financial measures have also been reviewed and updated slightly to reflect our long-term budget and strategy.
- Non-Executive Director fees. Further to a review of Non-Executive Director fees against market practice, no changes are proposed.

Further details on how we intend to implement the policy in FY23 are set out in the 'At a glance summary' on page 122.

Board Changes

I would like to welcome to the Committee Jitesh Sodha and Valeria Juarez who joined the Board in 2021. Jitesh is an experienced FTSE director and CFO, Valeria brings sector expertise in branded consumer goods and e-commerce. Dariusz Kucz retired from the Committee following the 2021 AGM but continues to serve on the Board and holds responsibility for representing the employee voice. As such we continue to partner on wider workforce remuneration matters. I would like to thank him for his contributions over the course of his membership.

Concluding remarks

Our approach to executive remuneration is focused on providing clear alignment between pay and performance and the experience of all the key stakeholders. We use a holistic, connected approach to reviewing executive reward and seek to avoid making pay decisions in isolation of the rest of the Group and our Group pay philosophy. I hope that the decisions summarised in this letter and pay decisions clearly demonstrate this commitment. I would like to thank the shareholders for their continued support for our pay policy and its implementation and hope to receive your support at the upcoming AGM. We would welcome your views on any of the matters set out in this report.

Kirsty Bashforth
Chair of the Remuneration Committee

REMUNERATION COMMITTEE REPORT CONTINUED

At a glance summary: how we will implement the policy in FY23

The table below summarises how the Committee intends to implement the Remuneration Policy for the forthcoming financial year ending 31 May 2023.

Key policy features	FY23 implementation	Link to KPIs

Salary

Key policy features

Base salaries are normally reviewed annually taking into account:

- The scope of the role and the markets in which PZ Cussons operates.
- The performance and experience of the individual.
- Pay levels in other organisations of a similar size and complexity.
- Pay increases elsewhere in the Group.

FY23 implementation

- The Chief Executive Officer's salary has been increased by 3.5% in line with the average increase awarded to the wider employee population.
- The Chief Financial Officer's salary has been subject to a more extensive review in line with our stated intentions upon her recruitment in 2021 whereby her salary was set below the prior incumbent and market competitive levels. Further to a review of market practice, individual performance and Group pay decisions, it was determined necessary to make a more substantive increase to the Chief Financial Officer's salary of 10.5%.

	Chief Executive Officer	Chief Financial Officer
Salary	612,979	370,000
Increase	3.5%	10.5%

Pension/benefits/all-employee share schemes

Key policy features

Executive Directors will receive pension benefits in line with those generally provided to employees in the location in which they are based.

Directors receive market competitive benefits and may participate in all-employee benefit arrangements.

FY23 implementation

- The Chief Executive Officer, Jonathan Myers, and Chief Financial Officer, Sarah Pollard, remain on pension rate of 10% of salary in line with UK employee population.
- Pension contributions for any new appointment are expected to be in line with that for the employees in the location where they are based.

Annual bonus

Key policy features

Policy maximum of 150% of salary.

Incentive scheme which focuses Directors on delivery of annual goals and milestones which are consistent with the Group's longer-term strategic aims.

The Committee may adjust outturn where bonus payout does not reflect business performance or individual contribution.

25% of any bonus earned deferred into shares for three years.

Recovery and withholding provisions apply.

FY23 implementation

	Chief Executive Officer	Chief Financial Officer
Maximum bonus	150% of salary	125% of salary

Performance metrics:

- Adjusted profit before tax: 40%
- Revenue growth: 30%
- Net working capital percentage: 10%
- Key business objectives: 20%

The Committee considers that the bonus targets are commercially sensitive and therefore plans to disclose them only on a retrospective basis in next year's Directors' Remuneration report.

Link to KPIs

- Adjusted profit before tax
- Revenue growth
- Net working capital percentage
- Strategic priorities

Key policy features	FY23 implementation	Link to KPIs

Long-term incentive plan

Key policy features

Policy maximum of 150% of salary.

Long-term incentive scheme which focuses on generating sustained shareholder value over the longer term and aligning the Directors' interests with those of the Company's shareholders.

Performance measures based on financial, strategic or share price-based metrics measured over three years.

The Committee may adjust level of vesting to ensure it is reflective of underlying performance.

Holding period applies for two years following vesting (i.e., five years from grant).

Recovery and withholding provisions apply.

FY23 implementation

	Chief Executive Officer	Chief Financial Officer
LTIP award	150% of salary	125% of salary

Performance metrics:

	Weighting	Threshold target	Threshold vesting	Maximum target
Adjusted basic EPS	60%	3% per annum	25%	7% per annum
Revenue growth from Must Win Brands	20%	3% per annum	25%	9% per annum
Sustainability	20%	See page 137		

The range of targets are set having had regard to internal planning, external market commitments, and the expectations for the Company's future performance.

The targets for our financial metrics are more stretching that those set for awards granted last year.

Link to KPIs

- Adjusted basic EPS
- Revenue growth
- Sustainability

Chair and Non-Executive Director fees

Key policy features

Fees to reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-Executive Directors.

FY23 implementation

Fees will be paid in line with the policy as shown:

	FY 22	FY 21	Increase
Basic fees			
Chair*	250,000	250,000	0%
Non-Executive Director	55,000	52,500	5%
Additional fees			
Senior Independent Director	10,000	5,000	100%
Chair of Audit & Risk or Remuneration Committee	10,000	10,000	0%
Chair of any other Committee	5,000	5,000	0%
Director responsible for employee engagement	5,000	5,000	0%

* The Company Chair does not receive additional fees for chairing other Board Committees.

REMUNERATION POLICY

Directors' Remuneration Policy

This part of the report complies with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It has also been prepared taking into account the 2018 UK Corporate Governance Code and the requirements of the UKLA Listing Rules.

The policy was approved by shareholders at the 2020 Annual General Meeting (AGM) and became effective from the date of the AGM on 26 November 2020. The Remuneration Policy as approved can be viewed at www.pzcussons.com and is included on the following pages, updated for factual changes where appropriate.

Approach to designing the Remuneration Policy

The Committee is responsible for determining, and agreeing with the Board, the Directors' Remuneration Policy, and has oversight of its implementation. The Committee has clear terms of reference and works with management and independent advisers to develop proposals and recommendations, and exercises independent judgement when making decisions. This process is considered to manage any potential conflicts of interest.

When considering how to position the remuneration packages for the Executive Directors, the Committee considers market data from UK-listed companies of a similar size and complexity. The Committee also receives and takes into account information from the Chief Human Resources Officer on pay and employment conditions applying to other Group employees, consistent with the Group's general aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces.

In designing an appropriate incentive structure for the Executive Directors and other senior management, the Committee seeks to set challenging performance criteria that are aligned with the Group's business strategy and the generation of sustained shareholder value. The Committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour, including behaviour that could raise environmental, social or governance issues.

The Committee considered the principles listed in the 2018 UK Corporate Governance Code when designing the Directors' Remuneration Policy and took these into account in its design and implementation:

Clarity: Remuneration arrangements have defined parameters which are transparently communicated to the shareholders and other stakeholders, including maximum incentive quantum and incentive plan pay-out schedules. We seek to provide as much contextual information as possible on how we set incentive plan performance targets and disclose targets in advance where they are not commercially sensitive. Incentive plan metrics are used in communicating and measuring Group performance on a day-to-day basis and in our external financial reporting, ensuring that participants and the shareholders have a clear view of pay for performance.

Simplicity: The remuneration framework for Executive Directors is market typical thereby avoiding unnecessary complexity and uses generally accepted and reported performance metrics which are simple to understand and explain.

Risk: Our incentive plans are designed to have a robust link between pay and performance, by using Group key performance indicators and having a layer of Committee review whereby discretion can be exercised to adjust incentive outturns at the end of the performance period to mitigate any risk of payment for failure, or any risk that executives have been unduly penalised by the structure of the incentive. Mitigation of behavioural risks is provided via exposure to long-term share price movements through deferral of incentive payments in shares, recovery provisions and share ownership requirements.

Predictability: The Committee seeks to maintain a consistent approach to its annual duties including target setting, reviewing incentive outturns and salary review. Consistency of process helps to ensure consistency of outcomes.

Proportionality: The annual bonus and PSP have performance metrics which are aligned with the Company's KPIs and Budget as set by the Board. The Committee may reduce payouts under the bonus and PSP if they are not in line with underlying performance.

Alignment to culture: The Directors' remuneration arrangements are cascaded down through the organisation as appropriate ensuring that there are common goals and outcomes. The Committee reviews remuneration arrangements throughout the Company and takes these into account when setting Directors' remuneration.

Remuneration framework

The components of Executive Directors' remuneration are described below:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration				
Base salary	To provide an appropriate level of fixed cash income to recruit and retain talent through the provision of competitively positioned base salaries.	Base salaries are normally reviewed annually taking into account: • The scope of the role and the markets in which PZ Cussons operates. • The performance and experience of the individual. • Pay levels in other organisations of a similar size and complexity. • Pay increases elsewhere in the Group.	To avoid setting expectations of Executive Directors and other employees, there is no overall maximum for salary increases under this policy. Salary increases are reviewed in the context of salary increases across the wider Group. Any increase in excess of those elsewhere in the Group would be considered very carefully by the Committee. The circumstances in which higher increases may be awarded include but are not limited to: • An increase in the scope and/or responsibility of a role. • An increase upon promotion to Executive Director. • Where a salary has fallen significantly below market positioning. • The transition over time of a new Executive Director recruited on a below market salary to a more competitive market positioning as the Executive Director gains experience in the role.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.
Benefits	Recruitment and retention of senior executive talent through the provision of a competitively positioned and cost-effective benefits package. Benefits may also be provided to assist in the effective performance of an Executive Director's duties.	Benefits that may be provided include car benefits, life assurance, health insurance for each Executive Director and family, permanent health cover and personal tax advice. Executive Directors may also participate in any all-employee share or benefits plans on the same basis as any other employees. Where relevant, additional benefits may be offered if considered appropriate and reasonable by the Committee, such as assistance with the costs of relocation.	The maximum opportunity will be based on the cost of providing the benefits. This will be set at a level that the Committee considers appropriate to provide a sufficient level of benefit based on individual circumstances.	Not applicable.
Provision for retirement	Designed to enable an Executive Director to generate an income in retirement and to provide an overall remuneration package that is competitive in the market.	Participation in a defined contribution pension plan or provision of a cash allowance in lieu of a pension contribution.	A Company pension contribution in line with the rate provided to the wider workforce in the country the Executive Director is based. For the UK this is currently 10% of base salary in respect of each financial year into the scheme on behalf of the Executive Director, subject to a minimum employee contribution of 5% of base salary; or cash allowance of up to 10% of base salary.	Not applicable.

REMUNERATION POLICY CONTINUED

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Variable remuneration				
Annual bonus scheme and deferred annual bonuses	Designed to motivate Executive Directors to focus on annual goals and milestones that are consistent with the Group's longer-term strategic aims.	Measures and targets are set annually at the beginning of the relevant financial year and payout levels are determined by the Committee after the year-end based on performance against those targets. A minimum of 25% of the bonus earned will be deferred into shares. The deferral period will be three years (unless the Committee determines otherwise). A dividend equivalent may be payable on deferred shares that vest. The Committee may apply discretion to amend the bonus payout should this not, in the view of the Committee, reflect underlying business performance or individual contribution. Recovery and withholding provisions apply to cash and deferred shares.	The maximum annual bonus opportunity that may be earned for any year is 150% of base salary. The current maximum opportunity for Executive Director roles is: • Chief Executive: 150% of salary • Other Executive Directors: 125% of salary	The performance measures and targets are set by the Committee each year. The majority of the annual bonus is based on challenging financial targets that are set in line with the Group's KPIs. In addition, a smaller element of the annual bonus may be subject to achievement against key business objectives and/or personally tailored objectives. For each financial objective set, up to 10% of the relevant part of the bonus becomes payable at the threshold performance level rising on a graduated scale to the maximum performance level. The structure and nature of the strategic objectives vary, such that it is not practical to specify any pre-set percentage of bonus that becomes payable for threshold performance. Maximum annual bonus will only be paid for achieving significant financial outperformance above the budget set for the year.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Variable remuneration continued				
Performance Share Plan	Designed to motivate the Executive Directors to focus on the generation of sustained shareholder value over the longer term, and to align their interests with those of the Group's shareholders.	Annual awards of rights over shares calculated as a percentage of base salary. Vesting is subject to the attainment of predetermined performance targets measured over a performance period of at least three years. The performance period normally starts at the beginning of the financial year in which the date of grant falls. The Committee may use discretion to adjust the level of vesting should it, in the view of the Committee, not reflect underlying performance. Dividend equivalent accrue on shares subject to PSP awards and are paid on vesting in respect of those shares that vest. Award levels and performance conditions are reviewed before each award cycle to ensure that they remain appropriate. Any shares that vest will normally be subject to an additional two-year holding period. Recovery and withholding provisions apply to awards granted under the PSP.	Award opportunities in respect of any financial year are limited to rights over shares with a market value determined by the Committee at grant of a maximum of 150% of base salary. The current maximum opportunity for Executive Director roles is: • Chief Executive: 150% of salary • Other Executive Directors: 125% of salary	Awards to Executive Directors will be subject to challenging financial, strategic or share price-related targets measured over the performance period. Financial targets (e.g., adjusted EPS and/or shareholder return measures) will apply to at least half of the total award. Vesting does not take place until the threshold performance requirement is met (as applicable to each relevant metric), at which point no more than 25% vests. Vesting increases on a graduated basis from threshold performance to the maximum target.
Other aspects				
Shareholding guidelines	Alignment of the Executive Directors' interests with those of the Group's shareholders.	Requirement to build up interests in the Company's shares worth 200% of salary. Executive Directors will be expected to retain a minimum of half the after-tax number of vested shares from PSP awards towards the satisfaction of the guideline.	Not applicable.	Not applicable.
Post-employment share ownership requirements	Ensures there is an appropriate amount of 'tail risk' for Executive Directors post cessation of employment.	Executives will be expected to maintain a minimum shareholding of 200% of salary for the first year following ceasing to be a Board Director and 100% of salary for the second year, or in either case if lower, the full shareholding on cessation.	Not applicable.	Not applicable.

REMUNERATION POLICY CONTINUED

Recovery and withholding provisions

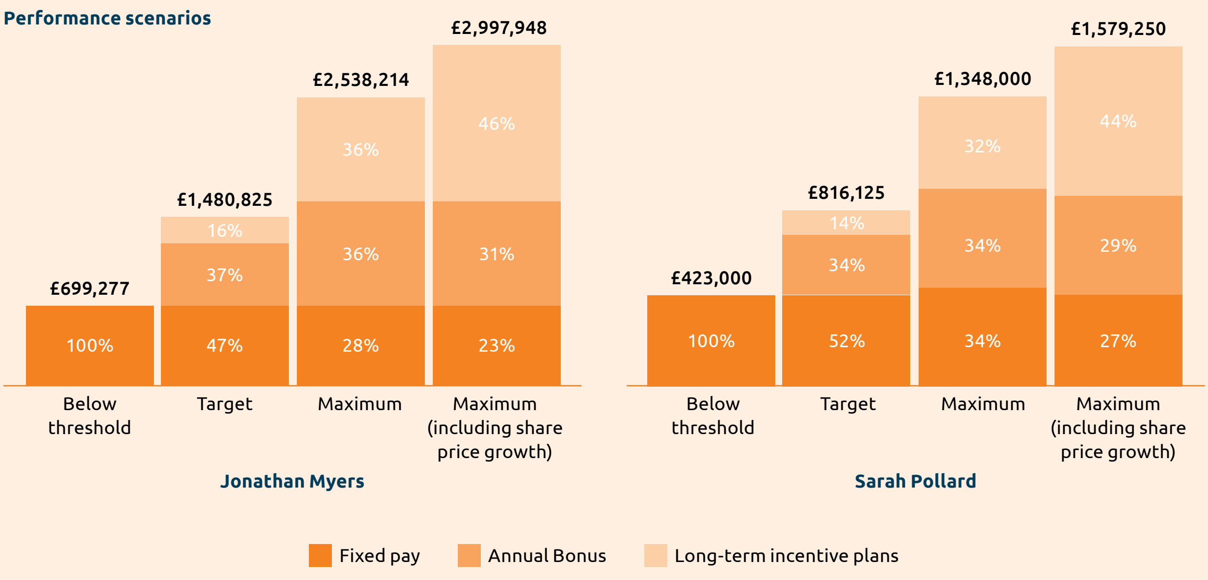
The Committee may, in its discretion, apply malus and/or clawback to annual bonus and PSP awards at any time within three years of payment in circumstances of a misstatement of results, error in payout calculations or the calculation being based on incorrect information, misconduct, corporate failure or reputational damage.

Malus may be applied at any time prior to the vesting of any award or payment of any declared bonus, and clawback can be applied after an award or bonus is paid or vests and where the triggering event occurs at any time prior to the third anniversary of the date the award or bonus vests/is paid. The clawback may be affected through a withholding of variable pay, by reducing the size of, or imposing further conditions on, any outstanding or future awards, or by requiring the individual to return the value of the cash or shares delivered to recover the amount overpaid.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non-Executive Director fees	To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-Executive Directors.	Fees are normally reviewed every year and amended to reflect market positioning and any change in responsibilities. The Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-Executive Directors are determined and approved by the Board as a whole. The Non-Executive Directors do not participate in the annual bonus plan or any of the Group's share incentive plans. The Company covers the costs of attending meetings and Non-Executive Directors may be reimbursed for any business expenses incurred (including any tax due) in fulfilling their roles.	Fees are based on the level of fees paid to Non-Executive Directors serving on boards of similar sized UK-listed companies and the time commitment and contribution expected for the role. Non-Executive Directors receive a basic fee and an additional fee for further duties (for example, chairing of a Committee or Senior Independent Director responsibilities). The maximum level of fees payable to the Non-Executive Directors will not exceed the limit set out in the Company's Articles of Association.	Not applicable.

Balance of fixed versus variable remuneration

The Committee believes that an appropriate proportion of the executive remuneration package should be variable and performance-related in order to encourage and reward superior Group and individual performance. The following chart illustrates executive remuneration in specific performance scenarios including a maximum performance scenario with a 50% increase in share price.



	Minimum performance	Target performance	Maximum performance	Maximum performance including share price growth
Fixed elements of remuneration	Base salary as at 1 September 2022 (612,979 for Jonathan Myers and £370,000 for Sarah Pollard), an estimate of the value of benefits and pension contributions at 10% of base salary			
Annual bonus	**0%**	**60% of maximum opportunity** Jonathan Myers – 60% of 150% of salary Sarah Pollard – 60% of 125% of salary	**100% of maximum opportunity** Jonathan Myers – 150% of salary Sarah Pollard – 125% of salary	**100% of maximum opportunity** Jonathan Myers – 150% of salary Sarah Pollard – 125% of salary
Long-term incentive plans	**0%**	**25% of award** Jonathan Myers – 25% of 150% of salary Sarah Pollard – 25% of 125% of salary	**100% of award** Jonathan Myers – 150% of salary Sarah Pollard – 125% of salary	**100% of award with a 50% increase in share price over the vesting period** Jonathan Myers – 150% of salary Sarah Pollard – 125% of salary

Recruitment remuneration arrangements

When hiring a new Executive Director, the Committee will set the Executive Director's ongoing remuneration in a manner consistent with the Policy detailed in the table above.

To facilitate the hiring of candidates of the appropriate calibre, the Committee may make an award to buy out variable remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including the form of award, the value forfeit, any performance conditions and the time over which the award would have vested. The intention of any buy-out would be to compensate in a like-for-like manner as far as is practicable.

The maximum level of variable pay that may be awarded to new Executive Directors (excluding buy-out arrangements) in respect of their recruitment will be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and PSP, i.e., a total face value opportunity of 300% of salary. The Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

Executive Director contracts and loss of office payments

Executive Directors have indefinite service contracts and no Executive Director has a notice period in excess of one year or a contract containing any provision for predetermined compensation on termination exceeding one year's salary and contractual benefits. Details of the current Executive Directors' service contracts are shown below:

Name	Date of appointment
Jonathan Myers	1 May 2020
Sarah Pollard	4 January 2021

Upon the termination of an Executive Director's employment, the Committee's approach to determining any payment for loss of office will normally be guided by the following principles:

- The Committee shall seek to apply the principle of mitigation where possible, as well as seeking to find an outcome that is in the best interests of the Company and shareholders as a whole, taking into account the specific circumstances.
- Relevant contractual obligations, as set out above, shall be observed or taken into account.
- The Committee reserves the right to make additional exit payments where such payments are made in good faith to satisfy an existing legal obligation (or by way of damages for breach of any such obligation) or to settle or compromise any claim or costs arising in connection with the employment of an Executive Director or its termination, or to make a modest provision in respect of legal costs and/or outplacement fees.
- The treatment of outstanding variable remuneration shall be as determined by the relevant plan rules, as set out on the next page.
- Any payments for loss of office shall only be made to the extent that such payments are consistent with this Policy.

REMUNERATION POLICY CONTINUED

Performance Share Plan

Cessation of directorship/employment within three years of date of grant:

Death	The award will normally vest as soon as practicable following death.
Injury, ill health, disability, sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides.	The Committee will have sole discretion as to the extent to which the award will vest, taking into account, if the Committee considers it appropriate, time pro-rating and the extent to which the performance condition has been satisfied. Awards will be subject to any applicable holding period unless the Committee determines otherwise. The award will normally vest on the original vesting date, taking into account the extent to which the performance conditions have been met. Alternatively, the Committee has the discretion to allow the award to vest at the time of cessation of directorship/employment by the Group, taking into account the extent to which the performance conditions have been met up to that date. Unless the Committee determines otherwise, the Committee will reduce the award to reflect the period that has elapsed at the time of cessation.
Any other reason	The award will lapse upon cessation of directorship/employment.

Cessation of directorship/employment after three years of date of grant (i.e., in respect of shares held for a compulsory holding period):

Death	The award will vest as soon as practicable following death.
Lawful dismissal without notice by the Company	The award will lapse upon cessation of directorship/employment.
Any other reason	The award will generally be released at the end of the holding period. Alternatively, the Committee has the discretion to allow the award to be released in part, or in full, at the time of, or following, cessation of directorship/employment. The extent to which awards are released in these circumstances will be determined by the Committee taking into account the performance conditions.

Annual bonus scheme – cash element

The extent to which any annual bonus is paid in respect of the year of departure will be determined by the Committee (in such proportion of cash and shares as it considers appropriate) taking into account the performance metrics and whether it is appropriate to time pro-rate the award for the time served during the year.

Annual bonus scheme – deferred share element

Death, injury, disability, redundancy, retirement, the sale of the participant's employing company or business out of the Group or any other reason if the Committee so decides.	The award will vest on the normal vesting date unless the Committee determines otherwise.
Any other reason	The award will lapse upon cessation of directorship/employment.

Retirement benefits will be received by any Executive Director who is a member of any of the Group's pension plans in accordance with the rules of such plan.

Change in control

The rules of the PSP provide that, in the event of a change of control or winding-up of the Company, all awards will vest early taking into account: i) the extent to which the Committee considers that the performance conditions have been satisfied at that time and ii) the pro-rating of the awards to reflect the proportion of the performance period that has elapsed, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances. Deferred bonus awards will normally vest in full on a takeover or winding-up of the Company. In the event of a special dividend, demerger or similar event, the Committee may determine that awards vest on the same basis. In the event of an internal corporate reorganisation, awards may be replaced by equivalent new awards over shares in a new holding company. Similarly, in the event of a merger of equals, the Committee may invite participants to voluntarily exchange their awards that would otherwise vest for equivalent new awards over shares in a new holding company.

The Committee may in the circumstances referred to above determine to what extent any bonus should be paid in respect of the financial year in which the relevant event takes place, taking into account the extent to which the Committee determines the relevant performance metrics have been (or would have been) met.

Statement of consideration of employment conditions elsewhere in the Company

When reviewing and setting Executive Director remuneration, the Committee takes into account the pay and employment conditions of all employees of the Group. The Group-wide pay review budget is one of the key factors when reviewing the salaries of the Executive Directors. Although the Group has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

Communication with shareholders

The Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements.

The Committee takes into account the views of significant shareholders when formulating and implementing the Policy.

Terms and conditions for Non-Executive Directors

Non-Executive Directors are appointed pursuant to the terms of their appointment letters for an initial period of three years, normally renewable on a similar basis. Notwithstanding this, all Non-Executive Directors are subject to annual re-election at the Company's Annual General Meeting and their election is subject to a dual-vote including the votes of only those shareholders who are not members of the Concert-Party shareholders. The expiry dates of the letters of appointment are set out below.

Name	Expiry of term
Caroline Silver (Chair)	31 March 2023
Kirsty Bashforth	31 October 2022
Dariusz Kucz	30 April 2024
John Nicolson	30 April 2025
Jitesh Sodha	30 June 2024
Jeremy Townsend	31 March 2023
Valeria Juarez	22 September 2024

The letters of appointment of Non-Executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

REPORT ON DIRECTORS' REMUNERATION

Information contained within the Report on Directors' Remuneration has not been subject to audit unless stated.

Single total figure of remuneration (audited)

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the Directors for the year ended 31 May 2022:

Executive Directors

		Jonathan Myers	Sarah Pollard[5]
Salary/ fees [1]	2022	587,938	332,313
	2021	575,000	135,417
Benefits [2]	2022	22,520	17,020
	2021	22,508	7,092
Pension [4]	2022	57,500	32,499
	2021	57,500	13,542
Total fixed	2022	667,958	381,832
	2021	655,008	156,051
Bonus [3]	2022	483,276	227,630
	2021	862,500	164,734
PSP	2022		
	2021		
Other	2022		
	2021		131,015
Total variable	**2022**	**483,276**	**227,630**
	2021	862,500	295,749
Total	**2022**	**1,151,234**	**609,462**
	2021	1,517,508	451,800

Non-Executive Directors

		Caroline Silver	Kirsty Bashforth	Dariusz Kucz	John Nicolson	Jeremy Townsend	Jitesh Sodha [6]	Valeria Juarez [7]
Salary/ fees [1]	2022	£250,000	£65,416	£60,416	£65,416	£65,416	£50,416	£38,076
	2021	£250,000	£61,667	£57,500	£62,500	£26,679	–	–
Benefits [2]	2022	–	–	–	–	–	–	–
	2021	£537	–	–	–	–	–	–
Other	2022	–	–	–	–	–	–	–
	2021	–	–	–	–	–	–	–
Total	**2022**	**£250,000**	**£65,416**	**£60,416**	**£65,416**	**£65,416**	**£50,416**	**£38,076**
	2021	£250,537	£61,667	£57,500	£62,500	£26,679		

1 The amount of salary/fees payable in the period.

2 Taxable benefits comprise life assurance, healthcare insurance and car allowance. In respect of the Non-Executive Directors, certain travel and accommodation expenses in relation to attending Board meetings are also treated as a taxable benefit.

3 Details of the performance measures and weightings as well as results achieved under the annual bonus arrangements in place in respect of the year are shown on pages 133 to 135. As disclosed last year, £131,015 of Sarah Pollard's FY21 bonus payment was to compensate her for outstanding shares forfeited on departure from her former employer.

4 Jonathan Myers and Sarah Pollard receive salary supplements of 10% of salary in lieu of pension contributions.

5 Sarah Pollard was appointed Chief Financial Officer on 4 January 2021.

6 Jitesh Sodha was appointed to the Board on 1 July 2021.

7 Valeria Juarez was appointed to the Board on 22 September 2021.

Amounts are rounded to the nearest Pound Sterling.

Notes to the single figure table of remuneration

Base salary

Base salaries for individual Executive Directors are reviewed by the Remuneration Committee annually, with increases taking effect from 1 September. Salaries are set with reference to the scope of the role and the markets in which PZ Cussons operates, the performance and experience of the individual, pay levels in other organisations of a similar size and complexity and pay increases elsewhere in the Group.

As reported last year, Jonathan Myers, Chief Executive Officer, received a salary increase of 3% (from £575,000 to £592,250) with effect from 1 September 2021 which was in line with the average applied to the UK workforce.

Sarah Pollard, Chief Financial Officer, also received a salary increase of 3% (from £325,000 to £334,750) with effect from 1 September 2021.

Non-Executive Director fees

As reported last year, the basic fee for Non-Executive Directors was increased from £52,500 to £55,000 and the fee for the Senior Independent Director was increased from £5,000 to £10,000 for FY22. This follows five years of no increase to either fee and further to a review of both market practice and pay increases within the Group.

Annual bonus for the year ended 31 May 2022

In respect of the year ended 31 May 2022, the Chief Executive Officer, Jonathan Myers, and the Chief Financial Officer, Sarah Pollard, both participated in the annual bonus scheme.

Under this scheme, the Chief Executive Officer was eligible to earn a cash bonus of up to 150% of base salary and the Chief Financial Officer 125% of base salary (pro-rata for the period since appointment) with a quarter of any bonus earned being deferred into Company shares which vest after three years and are subject to recovery and withholding provisions and continued employment.

The FY22 annual bonus was based on three key financial indicators: 40% adjusted profit before tax, 30% revenue growth and 10% net working capital percentage, with 20% of the bonus being subject to delivery against key business objectives. A summary of the performance targets and outturns are set out below.

Financial targets

The financial targets and our performance against them are set out below:

	Proportion of total bonus	Threshold (10% payout)	Target (60% payout)	Stretch (100% payout)	Actual performance*	Proportion of total bonus payable
Adjusted profit before tax	40%	£63.5m	£70.6m	£74.1m	£67.6m	15%
Revenue growth	30%	£591.3m	£602.9m	£615.5m	£595.7m	9%
Net working capital percentage	10%	11.1%	10.0%	9.5%	8.2%	10%
						34%

* the actual performance in the table is based on budgeted FX rates used for management reporting to determine the value of bonus payable

Strategic targets

The 2022 strategic objectives related to organisational effectiveness and strategic execution.

Metric	Proportion of total bonus	Milestones achieved	Proportion of total bonus payable
Organisational effectiveness	10%	• New succession plans have been documented, reviewed and validated by the Board. • The organisational structure has been refined and strengthened, including hiring talent into key strategic roles (e.g., Chief Sustainability Officer, Chief Marketing Officer, and Business Development Director). Commercial Talent has been successfully integrated from Acquisitions. • Retention targets have been met – turnover of talent remained within plan for key segments of the business.	10%
Strategic execution	10%	• Successful implementation of significant cost management initiatives leading to significant growth and margin improvement in Nigeria. • Significant progress has been made with our People Agenda, with the launch of Workday phase one and introduction of our new Purpose and Values. • Supply chain manufacturing network optimisation plan has gone live in Singapore. • Revenue growth management capabilities strengthened through the implementation of the Turbo booster, Group role recruited, new toolkits created, and promotional management tools approved for implementation in FY23.	10%

Overall 54% of the maximum bonus was earned by the Chief Executive Officer and Chief Financial Officer. The Committee reviewed the formulaic outcome in the context of overall Group performance and taking into consideration the experience of key stakeholders including employees and the shareholders during the year. The Committee agreed the outcome was fair and therefore no discretion was applied to the bonus outturn for FY22.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Annual bonus for the year ended 31 May 2023

Executive Directors will continue to be eligible to participate in the annual bonus scheme in respect of the year ending 31 May 2023 under the Policy. The annual bonus opportunity for the Chief Executive Officer and Chief Financial Officer will continue to be 150% and 125% of salary respectively, which can be earned for delivery against challenging targets, with 60% of maximum payable for on-target performance under the financial metrics.

As for FY22, the specific annual bonus metrics reflect current strategic priorities with adjusted profit before tax aligning pay with profitability (40% weighting) revenue growth metric driving organic growth (30% weighting) and net working capital percentage (10% weighting) used to ensure there is a focus on efficient working practices. The remaining portion being based on key business objectives relating to organisational effectiveness and strategic execution (10% weighting each).

The Directors consider that the Group's future targets are matters that are commercially sensitive; they could provide our competitors with insights into our business plans and expectations and should therefore remain confidential to the Company at this time (although they will be retrospectively disclosed in next year's Report on Directors' Remuneration). Targets for the FY23 bonus have been set by the Committee to be appropriately demanding but also reflective of current commercial circumstances, internal planning and market expectations.

Bonuses are payable at the discretion of the Committee and the Committee may apply discretion to amend the bonus payout should it not, in the view of the Committee, reflect underlying business performance or individual contribution.

A minimum of one quarter of any bonus earned will be required to be deferred into shares for three years.

Awards made under the annual bonus scheme will be subject to recovery and withholding provisions that would enable the Committee to recover amounts paid in circumstances of i) a material misstatement of audited results, ii) employee misconduct associated with the governance or conduct of the business, iii) an erroneous calculation of a performance condition, iv) reputational damage or v) corporate failure. The ability to apply these provisions operates for a period of up to three years for awards to Executive Directors and other senior executives.

Long-term incentive plans

Performance Share Plan

Executive Directors and certain senior executives are generally eligible to participate in the PSP, which provides for the grant of conditional rights to receive nil-cost shares subject to continued employment over a three-year vesting period and the satisfaction of certain performance criteria established by the Committee. The current version of the PSP, the PZ Cussons plc Long-Term Incentive Plan 2020 (the 'LTIP 2020'), was approved by shareholders and adopted at the 2020 Annual General Meeting. PSP awards granted to former Directors in FY19 which were due to vest in FY22 did not meet their performance criteria and lapsed.

Awards granted in the year ended 31 May 2022 (audited)

As disclosed in last year's Report on Directors' Remuneration, and in line with the Company's Remuneration Policy, during the year ended 31 May 2022 an award was made to J Myers under the PSP over shares with a value equal to 150% of base salary and S Pollard was also granted an award over shares worth 125% of base salary, pro-rated for the period from appointment as set out below:

Performance Share Plan

	Scheme	Basis of award	Number of shares[1,2]	Face value	Percentage vesting for threshold performance	Performance period end date
Jonathan Myers	LTIP 2020	150% of salary	403,806	£888,373	25%	23 September 2024
Sarah Pollard	LTIP 2020	125% of salary	190,198	£418,435	25%	23 September 2024

1 Jonathan Myers was granted an award over 403,806 shares and Sarah Pollard was granted an award over 190,198 under the LTIP on 23 September 2021 calculated using the average mid-market closing share price on 22 September 2021 of £2.20. The share price used to determine the number of shares subject to the award was in accordance with the rules of the LTIP 2020.

2 Shareholders at the 2021 AGM approved an adjustment to Jonathan Myers' 27 November 2020 award increasing it from 375,000 shares to 436,046. The amendment increased the aggregate value, as at the date the award was granted, of the shares over which the award subsists from 150% of the Chief Executive Officer's base salary to circa 175% of salary.

The performance metrics were aligned with the business' mid- to long-term priorities with the introduction of a strategic revenue metric and a sustainability metric with a 20% weighting each to supplement the EPS growth metric (60% weighting).

Measure	EPS growth	Strategic target	Sustainability target
Weighting	60% weighting	20% weighting	20% weighting
Description	Growth in adjusted EPS over three-year performance period	Revenue growth from Must Win Brands measured relative to growth in revenue from Portfolio Brands[1]	The targets were based on progress towards the Group's ambitions to achieve B Corp certification and addressed our priorities with respect to (i) ethical sourcing, (ii) reduction in carbon intensity and (iii) our employees (each of which will determine the vesting of one-third of the 20% portion of the award based on sustainability).
Threshold target (25% vesting)	2% per annum	2%	**Ethical Sourcing:** • Publish a revised supplier code of conduct aligned to our recently approved Code of Ethical Conduct and embed it across the supplier base with at least 90% of suppliers by value having either signed up to it or demonstrated that they have in place their own code which meets or exceeds our own. • Adopt and publish a PZ Sustainability Charter setting out our commitments across key ESG areas and encourage our supply base to sign up to our charter with at least 60% of our suppliers by value signing up to our Sustainability Charter by the end of the performance period. **Carbon Disclosure Project (CDP) performance:** • Improve from current 'B-' score to a 'B' score by the end of the performance period. **Employee Engagement:** • Improve the employee engagement scores to 73% (+1%) by the end of the performance period.
Maximum target (100% vesting)	6% per annum	6%	**Ethical Sourcing:** • In addition to threshold, (1) achieve 99% of suppliers by value signing up to our Supplier Code of Conduct; and (2) 90% of our suppliers by value signing up to our Sustainability Charter. **CDP Performance:** • Achieve an 'A/A-' score by the end of the performance period. **Employee Engagement:** • Improve the employee engagement score across the Group to 75% (+3%) by improving 1% each year of the performance period.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

LTIP Awards to be granted in the year ended 31 May 2023

For awards to be granted in FY23, the EPS and strategic measures and weightings are the same as the awards granted in respect of FY22. The sustainability target weighting is unchanged. The measures have been revised and based on progress towards the Group's ambitions to achieve B Corp certification and address our priorities with respect to (i) carbon neutrality, (ii) package sustainability and (iii) our employees, wellbeing (each of which will determine the vesting of one-third of the 20% portion of the award based on sustainability).

Weighting	Carbon Neutrality	Package Sustainability	Employee Wellbeing
Threshold target (25% payout)	Carbon neutral in global operations (scopes 1+2) by end of the performance period.	10% reduction in virgin plastic by end of performance period (2021 baseline).	Employee wellbeing scores average 72% across the three-year performance period.
On-target (62.5% payout)	Carbon neutral in global operations + 10% absolute reduction by end of performance period (scopes 1+2) + established verified baseline scope 3 measurement.	10% reduction in virgin plastic by end of performance period (2021 baseline) + 80% certified paper in packaging.	Employee wellbeing scores average 75% across the three-year performance period.
Maximum target (100% payout)	Carbon neutral in global operations + 10% absolute reductions (scopes 1+2) by end of performance period + established verified baseline scope 3 measurement and SBT aligned reduction plan to 2045.	10% reduction in virgin plastic by end of performance period (2021 baseline) + 100% certified paper in packaging.	Employee wellbeing score average 78% across the three-year performance period.

Pro-rata vesting between threshold and maximum targets.

As in previous years, any shares vesting at the end of the three-year performance period will be subject to a two-year holding period.

Statement of Directors' shareholding and share interests

The Committee has established share ownership guidelines that require Executive Directors:

- To build up and retain holdings of shares (and/or deferred shares net of tax) worth 200% of salary from time to time.
- Until this share ownership threshold is met, to retain shares with a value equal to 50% of the net gain after tax arising from the acquisition of shares pursuant to any of the Company's share incentive plans.
- After ceasing to be a Director, Executive Directors are also required to maintain the lower of: (1) a shareholding of at least 200% of their base salary for the first year following cessation of their employment, and 100% for the second year; and (2) their shareholding on cessation.
- As set out in the Remuneration Policy, to defer 25% of any bonus earned into shares for three years.

Interests in shares (audited)

The interests in the Company's shares of each of the Executive Directors as at 31 May 2022 (together with interests held by any connected persons) were:

	Ordinary shares held at 31 May 2022	Interests in share incentive schemes that are not subject to performance conditions as at 31 May 2022	Interests in share incentive schemes that are subject to performance conditions as at 31 May 2022[1]	Value of shares held at 31 May 2022 as a % of base salary
J Myers	101,175	48,760	839,852	17.08%
S Pollard	29,485	9,312	261,171	8.81%

1 Includes unvested awards under the Performance Share Plan that remain subject to performance.

During the period, each of the Executive Directors complied with the shareholding requirements set by the Committee and while they have not yet met the guideline given their recent appointments to the Company and Board, progress is being made towards achieving the 200% of salary guideline. There have been no changes in the Executive Directors' interests between 31 May 2022 and the date of this report.

The Non-Executive Directors' shareholdings are disclosed on page 145 within the Report of the Directors.

Performance Share Plan (audited)

The outstanding awards granted to each Director of the Company under the Performance Share Plan are as follows:

	Date of award	Number of options/ awards at 1 June 2021	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2022	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date[1]
J Myers	27-Nov-2020	375,000	–	–	–	375,000	2.285	–	–	27-Nov-23
S Pollard	1-Feb-2021	70,973	–	–	–	70,973	2.480	–	–	1-Feb-24
J Myers	23-Sep-2021	–	403,806	–	–	–	2.265	–	–	23-Sep-24
S Pollard	23-Sep-2021	–	190,198	–	–	–	2.265	–	–	23-Sep-24
J Myers	26-Nov-2021	–	61,046	–	–	–	1.958	–	–	27-Nov-23

1 Subject to performance conditions as set out on page 135. Shares vesting under the award are subject to a two-year post-vesting holding period.

Deferred bonus awards (audited)

Under the annual bonus, 25% of any payment is deferred into shares for three years.

	Date of award	Number of options/ awards at 1 June 2021	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2022	Share price at date of award (£)	Share price at date of vesting (£)	Gain (£)	Vesting/ transfer date[1]
J Myers	23-Sep-2021	–	98,011	–	–	98,011	2.265	–	–	23-Sep-24
S Pollard	23-Sep-2021	–	18,719	–	–	18,719	2.265	–	–	23-Sep-24

1 Awards ordinarily vest on the third anniversary of grant, conditional only on continued employment.

Pension benefits (audited)

Directors are eligible for membership of the Company's defined contribution pension arrangements and/or the provision of cash allowances in lieu of thereof. The contribution for Jonathan Myers and Sarah Pollard is set at 10% of salary, in line with the rate applicable to the wider UK employee population.

Loss of office payments and payments to former Directors (audited)

There were no loss of office or payments to former Directors during the year.

Limits on shares issued to satisfy share incentive plans

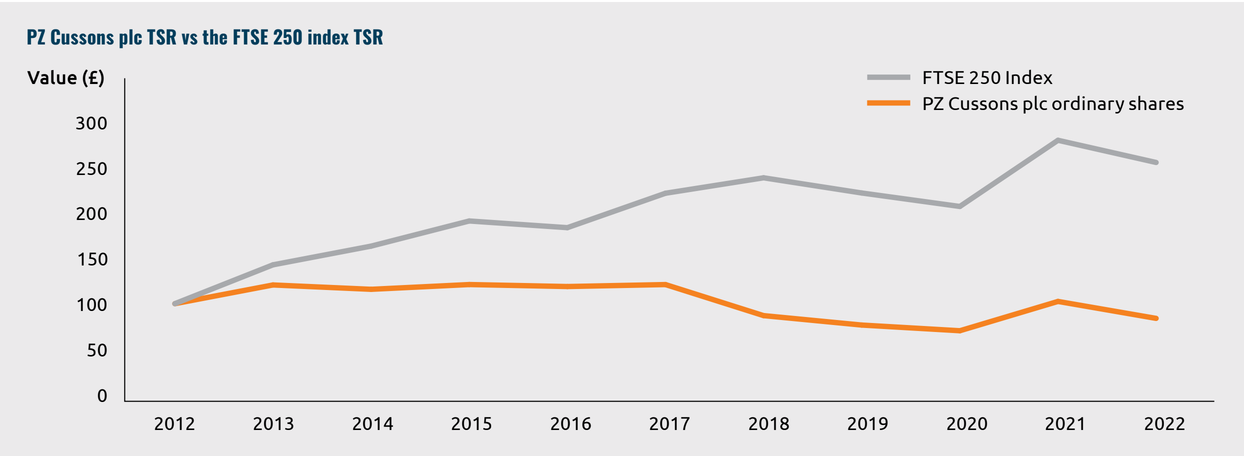
The Company's share incentive plans may operate over newly issued ordinary shares, treasury shares or ordinary shares purchased in the market. In relation to all of the Company's share incentive plans, the Company may not, in any ten-year period, issue (or grant rights requiring the issue of) more than 10% of the issued ordinary share capital of the Company to satisfy awards to participants, nor more than 5% of the issued ordinary share capital for executive share plans. In respect of awards made during the year ended 31 May 2022 under the Company's share incentive plans, no new ordinary shares were issued.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Performance graph

The graph below illustrates the performance of PZ Cussons plc measured by Total Shareholder Return (TSR) over the ten- year period to 31 May 2022 against the TSR of a holding of shares in the FTSE 250 Index over the same period, based on an initial investment of £100. The FTSE 250 Index has been chosen as PZ Cussons plc is a constituent of that index.

PZ Cussons plc TSR vs the FTSE 250 index TSR



Chief Executive Officer remuneration for previous ten years

	Total remuneration (£)	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2021–22	1,151,234	54.4%	n/a
2020–21	1,517,508	100%	n/a
2019–20[1]	659,665	n/a	n/a
2018–19	802,335	0%	0%
2017–18	732,077	0%	0%
2016–17	1,586,330	100.0%	0%
2015–16	1,104,601	47.4%	0%
2014–15	1,463,325	72.8%	32.5%
2013–14	1,052,912	78.0%	0%
2012–13	1,104,089	69.5%	0%

1 For 2019–20 the figure for total remuneration represents the pay of A Kanellis from 1 June 2019 to 31 January 2020, the fees paid to C Silver while acting as Executive Chair from 1 February 2020 through 30 April 2020 and the pay of J Myers since his appointment on 1 May 2020. No bonus was paid to any of these individuals and the 2017 and 2018 PSP awards lapsed in full.

Relative importance of spend on pay

The table below shows PZ Cussons' distributions to shareholders and total employee pay expenditure for the financial years ended 31 May 2021 and 31 May 2022, and the percentage change:

	2022 £m	2021 £m	change %
Total employee costs	68.5	76.9	-11%
Dividends paid	24.3	24.3	4.9%
Profit before tax and adjusting items[1]	66.6	68.6	-3%

1 This metric is in line with the Group's profitability KPI, which is set out on page 75.

Change in Directors' remuneration and for employees

The table below shows the change in annual Director remuneration (defined as salary, taxable benefits and annual bonus), compared to the change in employee annual remuneration for a comparator group, from FY21 to FY22.

The PZ Cussons (International) Limited employee population was chosen as a suitable comparator group because it is considered to be the most relevant, due to the UK employment location and the structure of total remuneration (employees are able to earn an annual bonus as well as receiving a base salary and benefits), and because PZ Cussons plc has no employees other than the Executive Directors.

	Percentage change (FY22/FY21)		
	Salary/fees	Benefits	Bonus
UK Employee average	**3.5%**	**0%**	**-62%**
Jonathan Myers (CEO)	3.5%	0%	-56%
Sarah Pollard (CFO)	10.5%	0%	38%
Caroline Silver (Chair)	0%	-87%	n/a
Kirsty Bashforth	6.1%	0%	n/a
Dariusz Kucz	5.1%	0%	n/a
John Nicolson	4.7%	0%	n/a
Jeremy Townsend	4.7%	0%	n/a
Jitesh Sodha	100%	0%	n/a
Valeria Juarez	100%	0%	n/a

REPORT ON DIRECTORS' REMUNERATION CONTINUED

CEO to all-employee pay ratio

Option A was used for the analysis because it is the 'purest' approach. Under Option A, companies are required to determine total full-time equivalent total remuneration for all UK employees for the relevant financial year. The CEO single figure is the pay received by J Myers in relation to FY22. In setting remuneration for the CEO, both internal and external benchmarks are considered, as is the remuneration of the broader workforce. The Committee receives market updates from their independent advisers which provide context from other listed companies. Executive pay policy for the CEO, other Directors and senior management is then set as to be appropriately positioned for the size and scope of the roles and experience of the individuals.

The ratio is considered to be reflective of the pay, reward and progression policies within the Company's UK employee population. Pay levels for roles are set taking into account internal relativities and external benchmarks and promotions are considered on an annual cycle.

Employee data includes those employed as at 31 May 2022. For any employee who joined after 1 June 2021 and was still employed at 31 May 2022, remuneration for that employee has been calculated as if the employee had been employed for the full year. Where there was no identifiable employee at the 25th, 50th or 75th percentile, then the data for the employee closest to that percentile has been used. If two employees were equally close to the relevant percentile then the employee with the most representative pay mix was selected. Additionally, where pay includes statutory pay such as maternity, paternity or sick pay these amounts have been included in the calculation.

CEO pay ratio	FY21	FY22
Method	A	A
CEO Single figure	£1,517,508	£1,151,233
Upper quartile	19	15
Median	29	23
Lower quartile	40	30

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions as at 31 May 2022 are set out below:

2022	Salary	Total pay
Upper quartile individual	£70,000	£79,195
Median individual	£45,000	£50,368
Lower quartile individual	£25,596	£38,553

Wider employee remuneration context

- It is the Committee's view that it is necessary to enable the Company to compete internationally for the best executive talent with restricted stock being a common form of incentive. Use of stock as part of an overall remuneration approach is a powerful tool to enable the alignment of interests of senior managers with the shareholders and the Committee believes it will also help retain and motivate key members of our current and future leadership teams.
- The Committee reviews retention and recognition restricted stock awards twice a year. These awards are very well received by recipients.
- The Committee reviewed the remuneration principles and strategy that were developed during the year for employees below the Executive Leadership Team.
- The Share Incentive Plan (SIP) launch in October 2021 created further alignment between employees and investors. Under HMRC rules only UK employees can participate. A diverse set of incentives (e.g. discretionary LTIP awards) are applied in other countries to ensure package value equity and provide shareholder alignment.

Employee engagement

The Committee seeks to understand and incorporate the perspective of the broader workforce to inform its decisions:

- Board engagement with Town Halls, digital forums and engagement surveys takes place throughout the year (see page 102 for further details).
- During the year, the Committee Chair and Dariusz Kucz (designated employee engagement Non-Executive Director) met with the HR Leadership Team to discuss the Group Remuneration Strategy and broader context.

The Committee reaffirmed that the changes made to remuneration in FY22 were appropriate and took account of employees' views.

Consideration by the Directors of matters relating to Directors' remuneration

Throughout the year the Committee has comprised exclusively independent Non-Executive Directors in accordance with the 2018 Code. The Committee held 5 scheduled meetings during the 2022 financial year with our activities summarised in the box on page 142.

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were being considered:

- Kirsty Bashforth (Chair from 1 July 2020)
- Dariusz Kucz (retired at AGM)
- Jeremy Townsend
- Jitesh Sodha
- Valeria Juarez

During the year, the Committee appointed Willis Towers Watson (WTW) as remuneration consultants following a competitive tender process. WTW are members of the Remuneration Consultants Group and has signed the voluntary Code of Practice for remuneration consultants. During the year, it has advised the Committee in relation to market data and evolving market practice. The fees paid to WTW in respect of this work were charged on a time and materials basis and totalled £27,000 excluding VAT for the year. WTW does not have any other connections with PZ Cussons plc or any Director of the Company.

During the year, the Committee consulted Caroline Silver (in her capacity as Non-Executive Chair) on issues where it felt her experience and knowledge could benefit its deliberations and she attended meetings by invitation. The Committee also consulted Jonathan Myers as Chief Executive Officer on proposals relating to the remuneration of members of the Group's senior management team and he too attended meetings by invitation. The Chief Human Resources Officer also attended meetings by invitation. The Committee is supported by the Company Secretary who acts as Secretary to the Committee. Invitees are not involved in any decisions or discussions regarding their own remuneration.

In setting remuneration for Executive Directors and senior managers, both internal and external benchmarks are considered, as is the remuneration of the broader employee population.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Committee activities during the year ended 31 May 2022

July 2021	September 2021	November 2021	January 2022	May 2022
• Presentation from the remuneration adviser on governance, remuneration trends and the implications for the business • Review of draft annual bonus awards for FY21 • Approval of financial targets for the annual bonus scheme for FY22 • Approval of executive salary review • Review of timing of awards under the annual bonus and PSP • Review of vesting of past awards under the PSP and update on the progress of in-flight awards • Review of draft Remuneration Report in respect of FY21	• Update on post AGM trends and regulation from the remuneration adviser • Approval of financial targets for the annual bonus scheme for FY22 • Approval of PSP targets for the FY22 awards • Approval of Remuneration Report in respect of FY21 • Approval of actual annual bonus awards for FY21 performance	• Review of cascade of non-financial targets outside of the Executive Directors • Consideration of salary adjustments within the ELT (not Executive Directors) • Consideration of implementation of Employee Stock Purchase Plan (SIP) • Approval of the grant of the FY21 PSP awards • Consideration of AGM voting and investor feedback	• Update on post AGM trends and regulation from the new remuneration adviser • Half-year review of FY22 annual bonus targets • Consideration of company-wide remuneration • Consideration of share plan participation for all employees • Approval and review of interim Performance Share Plan awards	• Presentation from the remuneration adviser on governance remuneration trends and the implications for the business • Consideration of forecast performance in respect of FY19 PSP • Consideration of forecast performance in respect of FY22 annual bonus • Consideration of provisional FY23 PSP structure and targets • Consideration of provisional FY23 annual bonus targets • Consideration of overall Group remuneration structure and strategy • Consideration of Group salary proposals • Consideration of workforce engagement on executive remuneration • Consideration of Committee terms of reference • Consideration of CFO Remuneration package • Review of Board Chair's fee
KB, DK, JT	**KB, DK, JT**	**KB, JT, DK**	**KB, JT, JS, VJ**	**KB, JT, VJ**

Shareholder engagement

The Committee recognises the importance of understanding the perspective of the shareholders when taking decisions. We communicate with our shareholders during both Remuneration Policy reviews and in advance of any significant changes to the implementation of our policy. While we note that there are a range of different views among institutional investors on the most appropriate pay models and performance metrics, we will always consider the views expressed to us and explain why we take a different approach if we choose to do so.

Statement of shareholder voting

The Committee is directly accountable to the shareholders and, in this context, is committed to an open and transparent dialogue with the shareholders on the issue of executive remuneration. For FY22 this took the form of consultation on sustainability target-setting within the current policy and the CEO LTIP adjustment, as well as questions at the AGM.

The Remuneration Committee Chair will be available to answer questions from the shareholders regarding remuneration at the 2022 AGM and looks forward to consultation during FY23 as the regular 3-year cycle of the Remuneration Policy update takes shape.

The votes cast at the 2021 AGM in respect of the approval of the 2021 Report on Directors' Remuneration and in respect of the approval of the Directors' Remuneration Policy are shown below:

Advisory vote on the 2021 Report on Directors' Remuneration (2021 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
294,059,802	88.73	37,359,552	11.27	331,419,354	23,708

Binding vote on amendments to the Directors' Remuneration Policy (2021 AGM):

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
281,444,488	85.18	48,976,661	14.82	330,421,149	1,021,913

By order of the Board of Directors

Kirsty Bashforth
Chair of the Remuneration Committee

28 September 2022

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements and the report of the auditor for the year ended 31 May 2022.

Principal activities

The principal activities of the Group are the manufacture and distribution of soaps, detergents, toiletries, beauty products, pharmaceuticals, electrical goods, edible oils, fats and spreads and nutritional products. The subsidiary undertakings and joint ventures principally affecting the profits, liabilities and assets of the Group are listed in note 1 of the Consolidated Financial Statements.

Results and dividends

A summary of the Group's results for the year is set out in the Financial Review on pages 82 and 83 of the Strategic Report.

The Directors recommend a final dividend of 3.73p (2021: 3.42p) per ordinary share to be paid on 30 November to ordinary shareholders on the register at the close of business on 19 October, which, together with the interim dividend of 2.67p (2021: 2.67p) paid on 7 April 2022, makes a total of 6.40p for the year (2021: 6.09p).

Scope of the reporting in this Annual Report and Financial Statements

The Group's statement on corporate governance can be found on pages 96 to143 which is incorporated by reference and forms part of this Report of the Directors. For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the Management Report can be found in the Strategic Report and this Report of the Directors, including the sections of the Annual Report and Financial Statements incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
3	Details of long-term incentive schemes and other employee share schemes	Report on Directors' Remuneration – pages 132 to 137
4	Waiver of emoluments by a Director	Report on Directors' Remuneration
5	Waiver of future emoluments by a Director	Not applicable
6	Non-pre-emptive issues of equity for cash	Not applicable
7	Item (7) in relation to major subsidiary undertakings	Not applicable
8	Parent participation in a placing by a listed subsidiary	Not applicable
9	Contracts of significance	Not applicable
10	Provision of services by a controlling shareholder	Not applicable
11	Shareholder waivers of dividends	ESOT: see note 24 of the Consolidated Financial Statements
12	Shareholder waivers of future dividends	ESOT: see note 24 of the Consolidated Financial Statements
13	Agreements with controlling shareholders	Report of the Directors – page 146

All the information referenced above is hereby incorporated by reference into this Report of the Directors.

The Board

The Directors who served throughout the year, and unless stated otherwise were in office up to the date of signing the financial statements, are detailed below:

	Service in the year 31 May 2022
Caroline Silver	Served throughout the year
Jonathan Myers	Served throughout the year
Kirsty Bashforth	Served throughout the year
Dariusz Kucz	Served throughout the year
John Nicolson	Served throughout the year
Sarah Pollard	Served throughout the year
Jeremy Townsend	Served throughout the year
Jitesh Sodha	Appointed on 1 July 2021
Valeria Juarez	Appointed on 22 September 2021

Directors' interests

The Directors' and connected persons' interests in the share capital of the Company at 31 May 2022, together with their interests at 1 June 2021, or date of appointment if later, are detailed below:

Ordinary shares

Beneficial	2022 Number	2021 Number
Caroline Silver	**42,500**	42,500
Jonathan Myers	**101,175**	50,000
Kirsty Bashforth	**10,210**	5,000
Dariusz Kucz	**7,500**	7,500
Sarah Pollard	**29,485**	29,485
John Nicolson	**–**	–
Jeremy Townsend	**20,000**	10,000
Jitesh Sodha	**22,200**	22,200
Valeria Juarez	**7,500**	–
Total	**240,570**	144,485

1 The figures in the table do not include 10,193,781 (2021: 10,291,149) ordinary shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2022. The ESOT is a discretionary trust under which the class of beneficiaries who may benefit comprises certain employees and former employees of the Company and its subsidiaries including members of such employees' and former employees' immediate families. Some or all of the shares held in the ESOT may be the subject of awards to Executive Directors of the Company under the PZ Cussons plc Performance Share Plan, details of which are given in the Report on Directors' Remuneration. Accordingly, those Executive Directors are included in the class of beneficiaries and are deemed to have a beneficial interest in all the shares acquired by the ESOT.

2 The figures in the table do not include conditional share awards granted under the PZ Cussons plc Long Term Incentive Plan (LTIP) or the Deferred Share Bonus Plan (DSBP).

3 The figures in the table do not include the shares purchased and granted to Executive Directors under the PZ Cussons plc Share Incentive Plan (SIP).

4 As at 21 September 2022, J Myers held 1,388 shares under the SIP Trust.

5 As at 21 September 2022, S Pollard held 1,261 shares under the SIP Trust.

No Director had any beneficial interest during the year in shares or debentures of any subsidiary company. Save for their service contracts or letters of appointment, there were no contracts of significance subsisting during, or at the end of, the financial year with the Company or any of its subsidiaries in which a Director of the Company was materially interested.

REPORT OF THE DIRECTORS CONTINUED

Directors' indemnification and insurance

Indemnities are in force under which the Company has agreed to indemnify the Directors, the Company Secretary and officers of Group subsidiaries, to the extent permitted by law, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their duties. The indemnified individuals are also indemnified against the cost of defending criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that, where the defence is unsuccessful, the indemnified person must repay those defence costs.

The Company purchases and maintains insurance for the Directors and officers of the Company in performing their duties, as permitted by Section 233 of the Companies Act 2006. This insurance has been in place during the year and remains in place at the date of signing this report.

Other substantial interests

The Company had been notified of the following direct or indirect interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 21 September 2022:

	As at 21 September 2022		As at 31 May 2022	
	Number of shares	%	Number of shares	%
Zochonis Charitable Trust	**63,019,193**	**14.70%**	63,019,193	14.70%
Sir J B Zochonis Will Trust	**49,320,712**	**11.50%**	49,320,712	11.50%
Heronbridge Investment Mgt	**31,157,024**	**7.27%**	31,157,024	7.27%
FIL Limited	**21,938,516**	**5.12%**	16,943,415	3.95%
Majedie Asset management	**21,160,944**	**4.94%**	21,160,944	4.94%
J B Zochonis Settlement	**19,927,130**	**4.65%**	19,927,130	4.65%
Lindsell Train Investment Management	**18,682,474**	**4.36%**	18,682,474	4.36%
Mrs C M Green Settlement	**15,322,741**	**3.57%**	15,322,741	3.57%

No shares were issued during the year. Further information about the Company's share capital is given in note 23 of the Consolidated Financial Statements.

Significant agreements

Relationship Agreement

The Financial Conduct Authority's Listing Rules require a premium listed company with a controlling shareholder (being a shareholder who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at a general meeting) to enter into a written and legally binding agreement that is intended to ensure that the controlling shareholder complies with certain independence provisions. These independence provisions are undertakings that transactions and arrangements with the controlling shareholder and/or any of their associates will be conducted at arm's length and on normal commercial terms; that neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules (together, Independence Provisions).

For the purposes of the Listing Rules, certain shareholders in the Company, principally comprising the founding Zochonis family, related family groups and trusts under their control are deemed to be controlling shareholders of the Company (together, the Concert Party). In FY21, the Takeover Panel approved the reconstitution of the Concert Party as comprising the core members of the founding Zochonis family, related family groups and certain related trusts holding. As of 31 May 2022, the Concert Party held in the aggregate, approximately 43.58% of the issued share capital of the Company.

As required by the Listing Rules, the Board confirms that the Company entered into a written relationship agreement with the Concert Party on 17 November 2014 containing the Independence Provisions and a procurement obligation (the Relationship Agreement). The Board also confirms that, during the period from 17 November 2014 to 31 May 2022 (being the end of the financial year under review):

- The Company complied with the Independence Provisions in the Relationship Agreement
- So far as the Company is aware, the Independence Provisions in the Relationship Agreement were complied with by the Concert Party and its associates
- So far as the Company is aware, the procurement obligation included in the Relationship Agreement was complied with by the Concert Party.

Political and charitable contributions

Charitable contributions in the UK during the year amounted to £184,561 (2021: £70,000). No political contributions were made (2021: £nil).

Research and development

The Group maintains in-house facilities for research and development in the UK, Indonesia, Thailand, Nigeria and Australia. In addition, research and development is subcontracted to approved external organisations. Currently all such expenditure is charged against profit in the year in which it is incurred, as it does not meet the criteria for capitalisation under IAS 38 'Intangible Assets'.

Greenhouse gas emissions

Global greenhouse gas (GHG) emissions data for the year are contained within the Sustainability – Environment section on pages 60 to 61.

Employment of people with disabilities

During the year the Group has maintained its policy of providing equal opportunities for the appropriate employment, training and development of people with disabilities. If any employees should become disabled during the course of their employment our policy is to oversee the continuation of their employment and to arrange training for these employees.

Employee information

The Group recognises the benefits of keeping employees informed of the progress of the business and of involving them in their Company's performance. The methods of achieving such involvement are different in each company and country and have been developed over the years by local management working with local employees in ways that suit their particular needs and environment, with the active encouragement of the parent organisation. Further details on our engagement with employees can be found on pages 38 and 50 to 52. Employee views are provided to the Board through updates from the designated Non-Executive Director for employee engagement.

Inclusion and diversity

PZ Cussons is an extremely diverse organisation in terms of its ethnic and cultural make-up and this is something that we continue to promote. We employ many different nationalities including Indian, Chinese, Polish, Indonesian, Singaporean, Thai, Greek, Australian, Nigerian, Ghanaian, Kenyan, American, Canadian and British. We are clear that we want our leadership team to reflect the diversity of the markets in which we function and for that reason we are focused on developing local talent who understand different cultures. We do not employ any person below the local legal working age and we will not, in any circumstances, employ anyone below the age of 16. The Company has adopted a diversity and inclusion statement that sets out the Company's commitment to having a Board and an Executive Leadership Team that reflects the diversity of our workforce and consumers in the countries in which we operate. The board composition requirements of The Parker Review on ethnic diversity were also met with the board changes during the year, see page 96.

Further details on the composition of our global employee population are set out in the table below*:

	2022		2021		2020		2019		2018	
	No.	%	No.	%	No.	%	No.	%	No.	%
Female employees	**756**	**27**	832	28	899	27	1,064	28	1,183	28
Male employees	**2,005**	**73**	2,111	72	2,461	73	2,717	72	3,003	72
Female senior managers	**61**	**36**	51	32	68	35	77	34	80	35
Male senior managers	**109**	**64**	110	68	125	65	150	66	147	65
Female Group Board Directors	**4**	**44**	3	43	4	50	3	38	3	38
Male Group Board Directors	**5**	**56**	4	57	4	50	5	62	5	62
Employees with over 15 years' service	**1,020**	**37**	1,039	35	1,168	35	1,211	32	1,297	31
Employees over 50 years old	**428**	**16**	408	14	438	13	424	11	411	10

* Figures taken as of 31 May 2022

REPORT OF THE DIRECTORS CONTINUED

Stakeholder engagement

The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and consider these relationships and factors in their decision-making. Further details can be found in the Strategic Report and our section 172(1) statement on page 40.

External Auditor

Deloitte LLP has signified its willingness to continue in office as External Auditor to the Company and, in accordance with section 485 of the Companies Act 2006, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting. A statement on the independence of the External Auditor is included in the Audit & Risk Committee Report 2006 on page 110.

Principal risks and uncertainties facing the Group

The Group's business activities, financial condition and results of operations could be affected by a variety of risks or uncertainties. These are summarised in the Principal Risks and Uncertainties section on pages 86 to 93 of the Strategic Report.

Annual General Meeting

The Company's 2022 Annual General Meeting will be held at the Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG at 10:30am on 24 November 2022. The resolutions that will be proposed at the 2022 Annual General Meeting are set out in the separate Notice of Annual General Meeting, which accompanies this Annual Report and Financial Statements.

Share capital

As of 31 May 2022, the Company's issued share capital consisted of 428,724,960 ordinary shares of 1p each.

Rights and obligations attaching to shares

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or, if there is no such resolution or so far as it does not make specific provision, as the Board may decide.

Restrictions on voting

Unless the Board decides otherwise, no member shall be entitled to vote at any meeting in respect of any shares held by that member if any call or other sum that is then payable by that member in respect of that share remains unpaid.

Powers of Directors

Subject to the Company's Memorandum and Articles of Association, the Companies Acts 2006 and any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time.

Purchase of own shares

No shares were purchased from 1 June 2021 to 31 May 2022 (2021: nil) and no acquisitions were made by the ESOT (see note 24 of the Consolidated Financial Statements).

Restrictions on the transfer of securities

There are no restrictions on the transfer of securities in the Company except:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, relating to insider trading); and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review. In addition, note 18 of the Consolidated Financial Statements includes policies in relation to the Group's financial instruments and risk management, and policies for managing credit risk, liquidity risk, market risk, foreign exchange risk, price risk, cash flow and interest rate risk and capital risk.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. A viability statement has been prepared and approved by the Board and this is set out on page 92.

Events after the balance sheet date

There are no material post balance sheet events since the year end date.

Additional disclosures

Other information that is relevant to the Report of the Directors, and which is incorporated by reference into this report, can be located as follows:

- Proposed future developments for the business are set out on pages 12 to 15.
- Details of Group subsidiaries including overseas branches are set out in note 30 on pages 233 to 235.
- Financial instruments and risk management are set out in note 18 on page 208.
- Trade payables under vendor financing arrangements are set out in note 1 on page 182.

Directors' statement as to disclosure of information to the External Auditor

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's External Auditor is unaware; and
- each of the Directors has taken all the steps that he or she ought to have taken as Director to make himself or herself aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (and including FRS 101 (Reduced Disclosure Framework).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed under Our Board on page 97 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This information is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

By order of the Board of Directors.

Kevin Massie
Group General Counsel and Company Secretary

28 September 2022

INTRODUCING OUR VALUES

PZ Cussons people aspire to be our BEST

BOLD

ENERGETIC

STRIVING

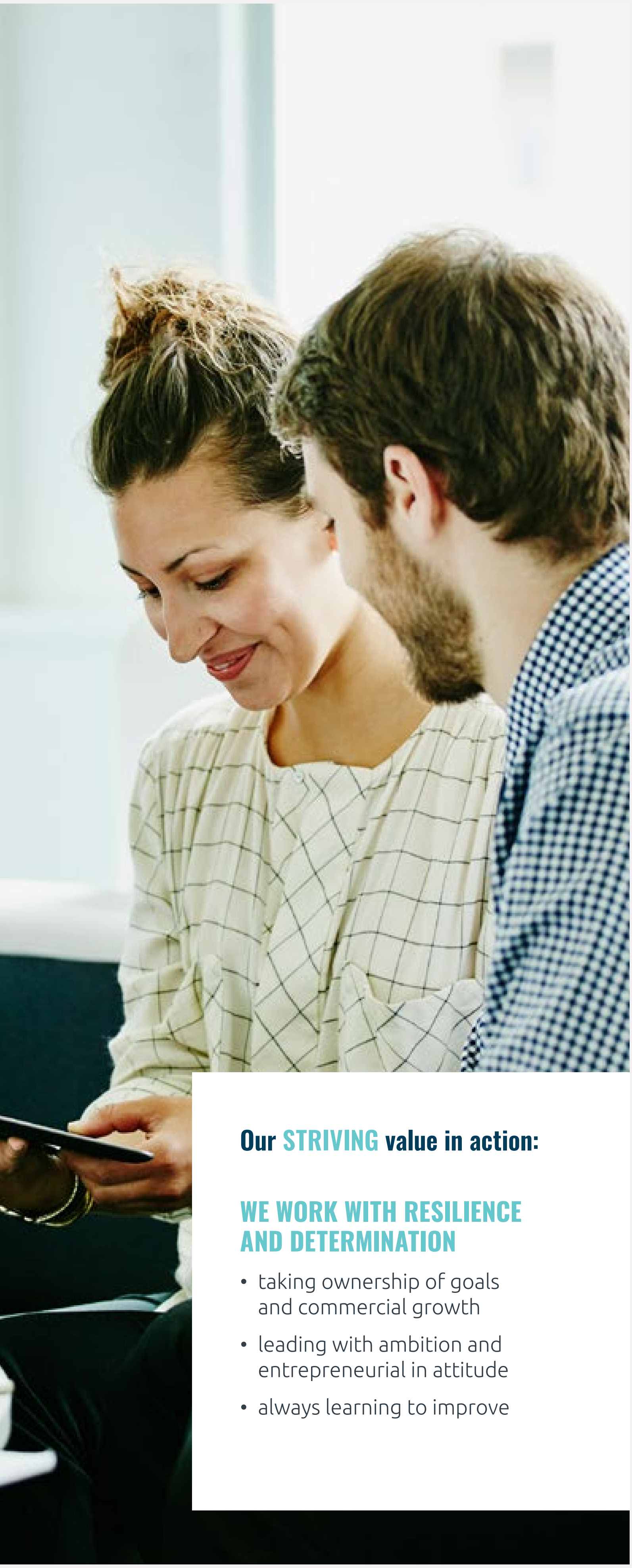
TOGETHER

See our Values / Page 18

AS A BUSINESS WE ARE

STRIVING

RAISING THE BAR, PUSHING PERFORMANCE, AIMING HIGH AND ACHIEVING MORE



Our STRIVING value in action:

WE WORK WITH RESILIENCE AND DETERMINATION

- taking ownership of goals and commercial growth
- leading with ambition and entrepreneurial in attitude
- always learning to improve

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PZ CUSSONS PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of PZ Cussons plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31 for the consolidated financial statements, and related notes 1 to 9 for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Identification of Cash Generating Units (CGUs); • Impairment and related reversals of impairment of intangible assets; and • Provisions for uncertain tax positions. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £2.8m which was determined on the basis of 5% of adjusted profit before tax.
Scoping	The scope of our audit covered 88% of revenue, 86% of adjusted profit before tax and 90% of net assets.
Significant changes in our approach	In the prior year, we identified the classification and presentation of adjusting items as a key audit matter. The Group established a new accounting policy in the prior year which set out clearly the considerations for determination of adjusting items and implemented control activities so that such items were fully considered and adequately assessed in advance of categorisation; this process is now fully embedded. We therefore consider this area not to be a key audit matter for FY22. In the current year, we have included the identification of CGUs as a key audit matter. Following a change in the Group's strategy, a review of the previous judgement, (which concluded that the Beauty division was one CGU), was undertaken with reference to the definitions and guidance within IAS 36, in particular reviewing the ability of CGUs to generate largely independent cash inflows. Having completed this review, the Directors concluded that there were, and should always have been, four separately identifiable CGUs, split by brand, rather than one Beauty CGU. This has led to reconsideration of previous impairment review conclusions, resulting in prior year adjustments in relation to Charles Worthington CGU. The key audit matter identified in the prior year in relation to the carrying value of Rafferty's Garden continues to be a key audit matter and is considered further in section 5.2 below along with other intangible assets.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls related to the Directors' process for evaluating the Group's ability to continue as a going concern, including the identification and evaluation of the relevant business risks and the method, model and assumptions applied by the Directors;
- Obtaining the Directors' approved going concern model, including the sensitivities performed, and challenging the assumptions and sensitivities used with reference to analyst reports, market data and other external information;
- Assessing the appropriateness of the scenario analysis, including the additional stress-testing performed by management with reference to historical performance and other external data;
- Performing a retrospective review of management's historical accuracy of forecasting;
- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities, and analysing actual and forecast covenant positions at the period end date and throughout the going concern period; and
- Evaluating the appropriateness of the disclosures in the financial statements related to going concern.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Identification of Cash Generating Units (CGUs) !

Key audit matter description	IAS 36 *Impairment of Assets* defines a CGU as the "smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets". CGUs are assessed annually for impairment indicators to determine whether the related amounts in the financial statements (including goodwill and intangible assets) are valued appropriately. As at the 31 May 2022, 7 CGUs were identified (FY21 (pre restatement): 3 CGUs), comprising £60.4m of goodwill (FY21: £43.3m) and £245.8m of brand value (FY21: £212.4m). In previous years, the Group disclosed that a critical area of judgement in the preparation of the financial statements related to the identification of CGUs. This disclosure noted that the Directors considered that the Beauty business, comprising four indefinite life brands, was a single CGU. As at 31 May 2021, the impairment review of the Beauty CGU indicated significant headroom of £328.3m. In the current year, the Directors have reviewed the assessment of CGUs in line with the requirements of IAS 36. As part of the Group's analysis, a review of all key customers within the Beauty business was performed. The review concluded that the cash inflows associated with each brand (Charles Worthington, Sanctuary Spa, St Tropez and Fudge) are largely independent, and have been since the date the brands were acquired. Thus, the Directors concluded that each brand should have been, from the date of acquisition, a separate CGU and impairment assessments should therefore be performed at that level. The review also concluded that the goodwill arising on the initial acquisition of each brand should have been attributed to the respective brand's single CGU, on the basis that no other CGU was expected to benefit materially from the acquisition. As a result of this reassessment, the Group has recognised an impairment in relation to the Charles Worthington brand (£16.9m impairment in FY20 and £8.3m reversal of impairment in FY21). This has been discussed further in section 5.2. The identification of CGUs has been included as a key audit matter due to the complexity and level of judgement involved in whether interdependencies exist within the cash inflows. Identification of CGUs also continues to be considered a critical accounting judgement in the current year, as described in note 1 of the financial statements. Further details of the change in judgement and the related prior year errors are disclosed in notes 1c and 10 respectively, of the consolidated financial statements, and also discussed in the Audit and Risk Committee Report on page 113.

How the scope of our audit responded to the key audit matter	We have performed the following audit procedures in response to this key audit matter: • Considered key customer relationships, the mechanics of how these contracts are entered into and how those various commercial negotiations have evolved over time to determine the extent of evidence supporting the independence of cash inflows; • Assessed how management monitor and operate the Group to assess contradictory evidence to the conclusion that there are four distinct CGUs rather than one; • Evaluated management's analysis of the factors determining the appropriateness of goodwill allocation to CGUs at the point of acquisition; • Assessed management's considerations of IAS 8 *Accounting policies, changes in accounting estimates and errors* to evaluate management's conclusions in respect of whether the revised CGU determination gives rise to prior year adjustments; and • Evaluated the financial statement disclosures included in relation to the change in CGU identification.
Key observations	We concur that there are four distinct and separable CGUs in relation to Charles Worthington, Sanctuary Spa, St Tropez and Fudge, on the basis of their cash inflows have been largely independent since the date of acquisition. We also concur that each CGU is the only beneficiary of synergies arising from the acquisition and thus goodwill arising on each brand's acquisition should be allocated wholly to the CGU associated with the brand acquired.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

5.2. Impairment and related reversals of impairments on intangible assets

Key audit matter description	As at 31 May 2022, the Group recognised intangible assets of £245.8m (2021: £212.4m) as per note 10 of the financial statements, which includes £32.6m related to Rafferty's Garden and £9.6m related to Charles Worthington. Rafferty's Garden is a baby food and nutrition brand operating largely in the Australian market. The brand is assumed to have an indefinite life and accordingly is not amortised. The brand is not considered to be one of the Group's 'Must Win Brands'. As a result of financial performance historically, an impairment charge was recognised during the year to 31 May 2020 of £18.9m. During the year ended 31 May 2022, the Group performed its annual impairment assessment, as required by IAS 36. The process involved the preparation of discounted cash flow analysis to support the value in use of the Rafferty's Garden CGU, in order to determine the CGU's recoverable amount. The value in use calculation indicated that the CGU's recoverable amount exceeded its carrying value and therefore it was appropriate to reverse £8.5m of the previously recognised impairment charge. Charles Worthington is a personal hair care brand operating largely in the UK market. The brand is not considered to be one of the Group's 'Must Win Brands', and historically the financial performance of the brand has been challenging. The brand is assumed to have an indefinite life and accordingly is not amortised. Charles Worthington is considered to represent a single CGU (see section 5.1), for the purposes of impairment testing due to the largely independent cash inflows arising from the brand. During the year ended 31 May 2022, the Directors performed their annual impairment assessment, as required by IAS 36. The Directors also assessed the recoverable amount of this CGU at each of 31 May 2020 and 2021 in order to assess whether the retrospective change in CGU determination gave rise to prior year adjustments. This process involved the preparation of discounted cash flow analysis to support the value in use of the Charles Worthington CGU, in order to determine the CGU's recoverable amount. The value in use calculations indicated an impairment charge of £16.9m as at 31 May 2020 relating fully to the brand value, with a reversal identified of £8.3m in FY21 and a current year charge of £11.6m, resulting in a closing carrying value of the brand value at 31 May 2022 of £9.6m. The 31 May 2020 and FY21 impairment positions have been reflected in a prior year adjustment in these accounts, with the FY22 impact being shown as an adjusting item in the income statement for the year ended 31 May 2022. The Group's other indefinite life intangible assets (those residing in the Sanctuary Spa, St Tropez, Fudge and Original Source CGUs) were also assessed individually for impairment in the current year. Each of these brands had significant headroom, and as such, no impairment was recognised. The impairment and related reversals of impairments on intangible assets, namely acquired brands, are considered a key audit matter due to the complexity and judgement applied in determining the carrying value of each of the CGUs, as disclosed in note 1. There are key judgements over the discount rates to be applied and growth rates applicable within each CGU. This matter is also discussed in the Audit and Risk Committee Report on page 113.

How the scope of our audit responded to the key audit matter	We understood the Group's process for identifying indicators of impairment and for performing the impairment assessment, including the extent to which support was provided by management's external experts. We obtained an understanding of relevant controls relating to asset impairment models, the underlying forecasting processes and the impairment reviews performed. We evaluated and challenged the key assumptions and inputs into the impairment models, which included performing sensitivity analysis, to evaluate the impact of selecting alternative assumptions. In challenging the assumptions, we have: • Considered the appropriateness of the identification of CGUs (see section 5.1); • Considered the compliance of the value in use model with the requirements of IAS 36 and tested the arithmetical accuracy of the models, through our analytic tools; • Worked with our valuation specialists to assess the discount rate used within the value in use models; • Challenged the revenue and margin growth rates used within the model, with reference to historical forecasting accuracy, the Group's current performance, external market growth rates and consistency with the Group's strategy; • Evaluated and challenged the sensitivity analysis to determine whether it takes into account reasonably possible changes in assumptions, in particular in respect of the current economic climate and the impact of high current and forecast inflation; • Evaluated management's calculations for determining the value of prior year adjustments identified; we considered the assumptions used such as discount rates and terminal growth rates as well as judgements such as revenue and margin growth rates adopted therein; and • Challenged whether the disclosure in the financial statements, including the sensitivities, were in line with IAS 36 and IAS 1.
Key observations	We concur with the Directors' conclusions that an impairment reversal should be recognised in relation to Rafferty's Garden, and that the impairment charges and reversals as now disclosed are appropriate in respect of Charles Worthington. We consider that the use of a post-tax discount rate applied to post-tax cash flows is not compliant with IAS 36, however, the impact on value in use is immaterial. We also concluded that the disclosures made in respect of possible downside scenarios in note 10 are appropriate. Further, we concur that the prior year adjustment has been appropriately disclosed in accordance with IAS 8.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

5.3. Provisions for uncertain tax positions

Key audit matter description	The Group operates in a number of overseas territories, including some with rapidly developing or ambiguous tax legislation. It also undertakes transactions with complex or subjective tax implications, such as divestments and intercompany transactions. As at 31 May 2022, there were a number of open tax claims against the Group in relation to its subsidiaries relating to 2013 onwards. The claims typically challenge the deductibility of certain expenses, or in the case of indirect taxes, the application of VAT rules. Historically, similar claims, whilst initially very large, have resulted in immaterial cash flows. In addition to the open claims with tax authorities, the Group, following the appointment of a new head of tax and treasury, undertook a detailed review of all tax risks and exposures across the Group. As a result, the Group identified underpaid VAT, a liability which should have, in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, been recorded in the financial statements in earlier periods in one of the Group's subsidiaries, but which, in error, had not been considered at that time. This resulted in a prior year adjustment with a net impact of £3.9m on the brought forward balance sheet. More details have been provided in note 1c to the consolidated financial statements. Given the uncertain environments in which the Group operates there is a range of possible outcomes for provisions and contingencies and the Directors are required to make certain judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of tax provisions and disclosures. We have identified a key audit matter in the current year relating to the quantification of the potential exposures in Nigeria and Indonesia due to the ongoing material claims made by the authorities in these territories and the related judgements made by the Directors that require significant judgement to determine the appropriate provisions and related disclosures. The accounting policy applied by the Group in relation to the provision for uncertain tax positions is described on page 178. The key sources of estimation uncertainty in relation to current tax are described in note 1 of the consolidated financial statements, with further disclosures in relation to tax provisions and contingent liabilities included in note 7. This matter is also discussed in the Audit and Risk Committee Report on page 113.
How the scope of our audit responded to the key audit matter	With the support of our UK taxation specialists across corporation tax and transfer pricing, and with input from tax specialists within our overseas component teams, we have assessed the appropriateness of the provision for uncertain tax positions and of the contingent liability disclosure by performing the following audit procedures: • Obtained an understanding of the relevant controls relating to provision for uncertain tax positions; • Assessed the Group's policies for recognition and measurement of uncertain tax positions for compliance with the guidance per IFRIC 23 and IAS 37 where such tax positions do not fall under IAS 12 *Income tax* or IFRIC 23 *Uncertainty over income tax treatments*; • Evaluated the transfer pricing methodology of the Group and associated approach to provisioning; • Considered evidence such as the actual results from the recent tax authority audits and enquiries, third party tax advice where obtained, and our tax specialists' own knowledge of market practice in relevant jurisdictions; • Considered the additional matters identified by management that relate to prior year issues and which have been corrected via a prior year adjustment; we considered both the fact pattern relating to those issues and whether there are any other potential exposures which have not been previously considered or which have arisen in the current year; and • Assessed the disclosure in notes 1 and 7 in relation to provisions for uncertain tax positions and contingent liabilities.
Key observations	We concur that the Group has applied an appropriate and consistent approach to estimating provisions for uncertain tax positions. Further, we concur with the Directors' assessment of the treatment of underpaid VAT in prior years including the recognition of the related provision as a prior year adjustment. We are satisfied that the Group's estimates are appropriately recorded and tax matters are appropriately disclosed.

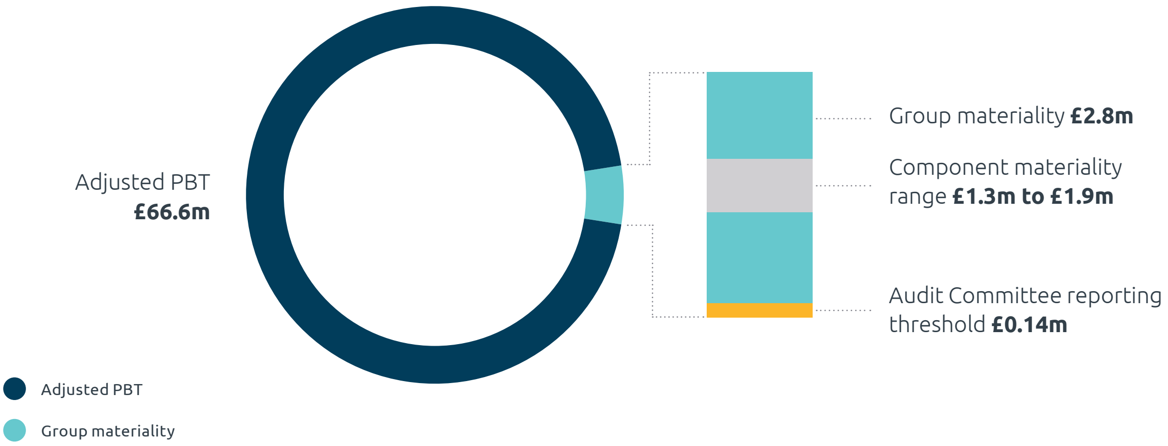
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£2.8m (2021: £3.2m)	£1.4m (2021: £1.1m)
Basis for determining materiality	5% of adjusted pre-tax profit (2021: 5% of adjusted pre-tax profit). The profit before tax figure has been adjusted for certain items as disclosed in note 3 of the financial statements.	Parent company materiality was determined on the basis of 1% of net assets, and then capped at 50% of group materiality (2021: 1% of net assets capped at 35% of group materiality).
Rationale for the benchmark applied	We consider an adjusted profit before tax measure to be the most relevant measure of performance for the primary users of the financial statements, being shareholders. This is the basis on which management make decisions and monitor performance as it excludes the impact of significant one-off items as well as profits and losses relating to acquisitions or disposals of business or other transactions of similar nature.	This is the holding company and given its less complex operations, we consider that the users of the accounts are most interested in the net assets of the company on the basis that they will influence the extent to which dividends can be paid.



INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2021: 60%) of group materiality	60% (2021: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our cumulative experience from prior year audits; • The level of corrected, uncorrected misstatements and prior period errors identified in the current year; • The quality of the control environment and, as noted below, that we were not able to rely on controls as noted in section 7.2; and • Our risk assessment, including our understanding of the entity and its environment.	In determining performance materiality, we considered the following factors: • Our risk assessment, including our understanding of the entity and its environment; and • The low value of profit impacting misstatements, both corrected and uncorrected, identified when compared to the Group accounts.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £142,000 (2021: £160,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

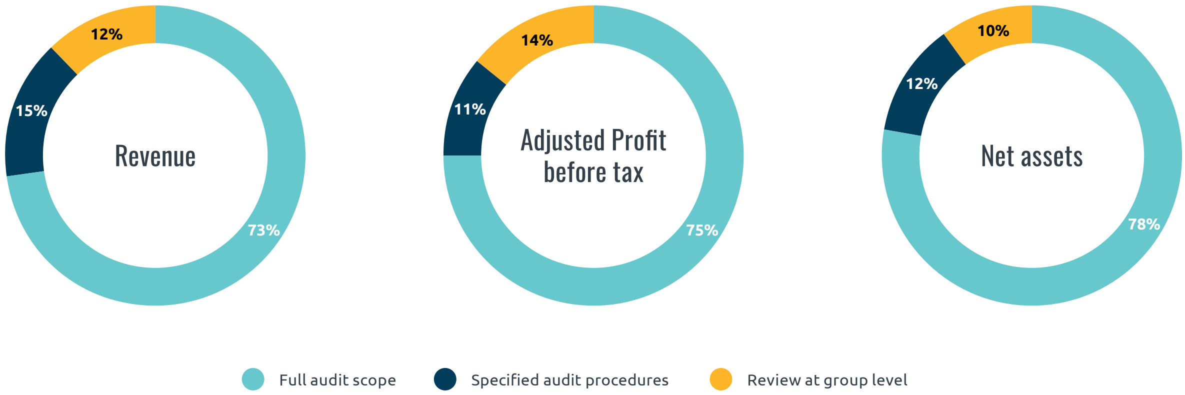
PZ Cussons is an international consumer goods group with an establish portfolio of trusted brands across a range of markets which includes personal healthcare products and consumer goods. It operates worldwide especially in Africa and commonwealth nations.

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on this assessment, we focussed our group audit scope primarily on the audit work relating to 7 components which were subjected to full scope audits. Our full scope audits covered components in the UK, Nigeria, Australia and Indonesia. We performed specified audit procedures on a further five components including Singapore, Ghana, one legal entity each within the UK and Nigeria and one trading entity within the US. The parent company is located in the UK and was audited directly by the group audit team.

As a consequence of the audit scope determined, we achieved coverage of approximately 88% (2021: 94%) of revenue, 86% (2021: 91%) of adjusted profit before tax and 90% (2021: 88%) of net assets, based on full scope audits and specified audit procedures. Our audit work at each component was executed at levels of materiality applicable to each individual component, which were lower than group materiality. Component materiality ranged from £1.3m to £1.9m (2021: £1.1m to £2.1m).

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to either full scope audit or audit of specified account balances.



7.2. Our consideration of the control environment

We identified the following key IT systems were relevant to the audit:

- SAP, which is the ERP system used across all components of the Group and is used to record underlying transactions within the Group;
- Promax, which is used within PZ Cussons UK and PZ Cussons Australia to record underlying transactions in relation to trade promotional spend undertaken with customers; and
- Oracle FCCS, a consolidation tool which is used to consolidate the Group's results as part of the financial reporting process.

We involved IT specialists to test the controls related to these IT systems. We assessed the remediation of prior year IT findings impacting SAP and subsequently concluded, ahead of the year end, that it was again not appropriate to rely on IT controls due to the weaknesses noted in relation to access controls in SAP.

Furthermore, as noted by the Audit and Risk Committee on page 110, and as evidenced by our work in relation to the design and implementation of key controls over financial reporting and significant risk areas, the Group's control environment is undergoing a programme of improvement. As a result several deficiencies have been identified by the Group's internal audit function, and by ourselves in the performance of our audit, which the Group expects to address in subsequent periods. Therefore, considering the developing nature of the overall control environment and the findings of the IT audit work, we concluded that a fully substantive approach was appropriate in all aspects of the audit for the year ended 31 May 2022.

7.3. Our consideration of climate-related risks

We have gained an understanding of the Group's processes to address climate-related risks, including implementation of the Environmental and Social Governance (ESG) Committee and the ESG Framework. We have performed a risk assessment of the financial impact of climate risks on the financial statements and concluded the risks of material misstatements due to climate risks factors are remote. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks impact their valuation. We challenged the Group's disclosures relating to climate risks in the Sustainability section of the Annual Report and considered whether information included in the climate related disclosures of the Annual Report were consistent with our understanding the business and the financial statements.

7.4. Working with other auditors

The Group audit team designed the audit procedures for all relevant significant risks to be addressed by the component auditors and issued group referral instructions detailing the nature and form of the reporting required. Due to the financial significance and associated risk attached to the Nigerian component, the group engagement team visited the Nigerian component twice during the audit. Due to the continued disruption to international travel in certain locations, no other visits took place. We had initially planned to visit Indonesia, which would have also included a meeting with the Australian component team; however, due to the continued impact of Covid-19 and restrictions that were periodically in place in Indonesia, we were unable to do this. Instead, these meetings were carried out virtually. We also held a number of virtual meetings throughout all phases of the component audit work.

We included all component audit teams in our team briefings, discussed their risk assessment, attended close meetings by video-conference and reviewed documentation of the findings of their work remotely.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

Due to the level of risk attached to the Nigerian component, the group audit team increased the level of interaction with the Nigerian component teams by holding at least weekly calls with each significant component from the planning stage of the audit through to the completion of those component audits. The group engagement team reviewed underlying component work on a regular basis and allowed sufficient time to follow up on any matters identified. These calls were in addition to the planning briefings and audit closing meetings that we would ordinarily undertake with component teams. To facilitate this oversight, the group team included an additional senior member of the engagement team with day to day responsibility of oversight of our component teams and their audit work, under the leadership of the engagement partner. Other senior members of the audit team were also involved in the oversight of all significant components.

Where there were delays in completing our audit work at component level, we included group and component management on a number of the calls with component teams.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- considered the geographies that the group operates in, especially where those geographies have inherent weakness in their anti-money laundering systems;
- results of our enquiries of management, internal audit, and the audit and risk committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including a number of potential instances of non-compliance with laws and regulations which management identified over the course of the year that required further investigation by internal audit and the Group's compliance and legal functions but which did not result in matters of significant concern;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and forensic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment and/or reversal of impairments in intangible assets, presentation of adjusting items and promotional trade spend accruals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, overseas tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements, the regulatory framework related to the sale of beauty, cosmetic and healthcare products, employment laws, the Nigerian foreign exchange regulatory laws, and the UK Bribery Act.

11.2. Audit response to risks identified

As a result of performing the above, we identified provisions for uncertain tax positions as a key audit matter related to potential non-compliance with laws and regulations, and impairment and related reversal of impairments on intangible assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PZ CUSSONS PLC

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC;
- evaluating the processes undertaken by management to assess the Group's control environment in response to the potential non-compliance with laws and regulations identified;
- in addressing the risk of fraud in promotional trade spend, reviewing subsequent settlements to assess the accuracy of estimates made by management, analysing the key trends in the year, and testing a sample of agreements that straddled the year end; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 91;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 91;
- the Directors' statement on fair, balanced and understandable as set out on page 115;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 84;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 98; and
- the section describing the work of the Audit and Risk Committee as set out on page 110.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the shareholders at the AGM on 27 September 2017 to audit the financial statements for the year ending 31 May 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 2018 to 2022.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Jane Boardman, BSc FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK

28 September 2022

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MAY 2022

		Year ended 31 May 2022			(Restated)* Year ended 31 May 2021		
	Notes	Business performance excluding adjusting items £m	Net adjusting items (note 3) £m	Statutory results for the year £m	Business performance excluding adjusting items £m	Net adjusting items (note 3) £m	Statutory results for the year £m
Continuing operations							
Revenue	2	592.8	–	592.8	603.3	–	603.3
Cost of sales		(365.3)	–	(365.3)	(366.4)	–	(366.4)
Gross profit		227.5	–	227.5	236.9	–	236.9
Selling and distribution costs		(90.3)	–	(90.3)	(100.3)	–	(100.3)
Administrative expenses		(75.9)	(1.3)	(77.2)	(71.2)	2.9	(68.3)
Share of results of joint ventures	13	6.6	–	6.6	5.6	–	5.6
Operating profit/(loss)	2	67.9	(1.3)	66.6	71.0	2.9	73.9
Finance income		2.7	–	2.7	1.5	–	1.5
Finance costs		(4.0)	–	(4.0)	(3.9)	–	(3.9)
Net finance costs	6	(1.3)	–	(1.3)	(2.4)	–	(2.4)
Profit/(loss) before taxation		66.6	(1.3)	65.3	68.6	2.9	71.5
Taxation	7	(13.0)	(0.3)	(13.3)	(14.4)	(14.9)	(29.3)
Profit/(loss) for the year from continuing operations	4	53.6	(1.6)	52.0	54.2	(12.0)	42.2
Discontinued operations							
Loss from discontinued operations	28	(1.8)	–	(1.8)	(5.3)	(46.3)	(51.6)
Profit/(loss) for the year		51.8	(1.6)	50.2	48.9	(58.3)	(9.4)
Attributable to:							
Owners of the Parent		51.4	(2.9)	48.5	49.6	(59.0)	(9.4)
Non-controlling interests		0.4	1.3	1.7	(0.7)	0.7	–
From continuing operations							
Basic EPS (p)	9	12.71	(0.69)	12.02	13.12	(3.03)	10.09
Diluted EPS (p)	9	12.64	(0.69)	11.95	13.10	(3.03)	10.07
From continuing and discontinued operations							
Basic EPS (p)	9	12.28	(0.69)	11.59	11.85	(14.10)	(2.25)
Diluted EPS (p)	9	12.21	(0.69)	11.52	11.84	(14.08)	(2.24)

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MAY 2022

	Notes	2022 £m	(Restated)* 2021 £m
Profit/(loss) for the year		50.2	(9.4)
Other comprehensive income / (expense)			
Items that will not be reclassified subsequently to profit and loss			
Re-measurement of post-employment benefit obligations	22	37.4	(9.5)
Deferred tax (loss)/gain on re-measurement of post-employment benefit obligations	20	(8.4)	2.4
Total items that will not be reclassified to profit or loss		29.0	(7.1)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		21.7	(31.9)
Deferred tax on foreign exchange related to quasi-equity loans		–	1.4
Cash flow hedges – fair value loss in year net of taxation	18	0.2	(0.6)
Cost of hedging reserve	18	–	0.2
Recycle of foreign exchange equity reserves on repayment of quasi-equity loans		(1.4)	–
Deferred tax on repayment of quasi-equity loans		(1.3)	–
Recycle of foreign exchange equity reserves on disposals		(0.2)	39.9
Recycle of equity reserves on disposal of subsidiary		0.3	–
Total items that may be subsequently reclassified to profit or loss		19.3	9.0
Other comprehensive income for the year net of taxation		48.3	1.9
Total comprehensive income/(expense) for the year		98.5	(7.5)
Attributable to:			
Owners of the Parent		94.9	(2.5)
Non-controlling interests		3.6	(5.0)

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

CONSOLIDATED BALANCE SHEET

AT 31 MAY 2022

	Notes	31 May 2022 £m	(Restated)* 31 May 2021 £m	(Restated)* 1 June 2020 £m
Assets				
Non-current assets				
Goodwill and other intangible assets	10	333.3	288.9	287.5
Property, plant and equipment	11	82.9	91.5	112.3
Long-term right-of-use assets	26	16.9	11.7	13.7
Net investments in joint ventures	13	45.4	34.2	40.9
Deferred taxation assets	20	4.5	5.9	15.4
Tax receivable		1.2	1.7	6.9
Retirement benefit surplus	22	69.3	33.6	42.9
		553.5	467.5	519.6
Current assets				
Inventories	14	111.8	91.1	104.6
Trade and other receivables	15	105.0	110.7	104.1
Derivative financial assets	18	0.7	1.0	0.7
Current tax receivable		2.6	15.3	10.7
Current asset investments	16	0.5	0.3	0.3
Cash and short-term deposits	17	163.8	87.0	78.7
		384.4	305.4	299.1
Assets held for sale	12	3.4	7.6	20.5
		387.8	313.0	319.6
Total assets		941.3	780.5	839.2
Equity				
Share capital	23	4.3	4.3	4.3
Currency translation reserve		(69.2)	(87.4)	(100.5)
Capital redemption reserve		0.7	0.7	0.7
Other reserve		(37.1)	(39.1)	(39.0)
Hedging reserve		(0.2)	(0.4)	–
Retained earnings		525.6	474.6	514.0
Attributable to owners of the parent		424.1	352.7	379.5
Non-controlling interests		25.2	18.8	24.2
Total equity		449.3	371.5	403.7

	Notes	31 May 2022 £m	(Restated)* 31 May 2021 £m	(Restated)* 1 June 2020 £m
Liabilities				
Non-current liabilities				
Borrowings	17,18	174.0	118.0	127.0
Other payables		4.5	0.3	0.4
Long-term lease liability	26	14.0	8.7	10.4
Deferred taxation liabilities	20	90.7	73.0	62.4
Retirement and other long-term employee benefit obligations	22	13.1	12.9	12.2
		296.3	212.9	212.4
Current liabilities				
Overdrafts	17	0.1	–	1.2
Trade and other payables	19	163.9	150.9	161.8
Short-term lease liability	26	2.9	3.1	3.4
Derivative financial liabilities	18	1.6	0.8	0.9
Current taxation payable		21.6	35.2	47.7
Provisions	21	5.6	5.6	8.1
		195.7	195.6	223.1
Liabilities directly associated with assets held for sale	12	–	0.5	–
		195.7	196.1	223.1
Total liabilities		492.0	409.0	435.5
Total equity and liabilities		941.3	780.5	839.2

* The results for the years ended 31 May 2020 and 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

The Financial Statements from pages 166 to 243 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

J Myers **S Pollard**
28 September 2022

PZ Cussons plc
Registered number 00019457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MAY 2022

	Notes	Attributable to owners of the Parent							
		Share capital £m	Currency translation reserve £m	Capital redemption reserve £m	Other reserves £m	Hedging reserve £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 June 2020 (as previously reported)		4.3	(100.5)	0.7	(39.0)	–	530.3	25.4	421.2
Effect of prior year adjustments	1c	–	–	–	–	–	(16.3)	(1.2)	(17.5)
At 1 June 2020 (restated)*		4.3	(100.5)	0.7	(39.0)	–	514.0	24.2	403.7
Loss for the year		–	–	–	–	–	(9.4)	–	(9.4)
Other comprehensive income/(expense):									
Re-measurement of post-employment obligations	22	–	–	–	–	–	(9.5)	–	(9.5)
Exchange differences on translation of foreign operations		–	(26.8)	–	(0.1)	–	–	(5.0)	(31.9)
Cash flow hedges – fair value loss in year net of taxation	18	–	–	–	–	(0.6)	–	–	(0.6)
Cost of hedging reserve	18	–	–	–	–	0.2	–	–	0.2
Disposals – recycle of equity reserves		–	39.9	–	–	–	–	–	39.9
Deferred tax on re-measurement of post-employment obligations	20	–	–	–	–	–	2.4	–	2.4
Deferred tax on foreign exchange related to quasi-equity loans		–	–	–	–	–	1.4	–	1.4
Total comprehensive income/(expense) for the year		–	13.1	–	(0.1)	(0.4)	(15.1)	(5.0)	(7.5)
Transactions with owners:									
Ordinary dividends	8	–	–	–	–	–	(24.3)	–	(24.3)
Non-controlling interests dividend paid		–	–	–	–	–	–	(0.2)	(0.2)
Acquisition of non-controlling interests		–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners recognised directly in equity		–	–	–	–	–	(24.3)	(0.4)	(24.7)
At 31 May 2021 (restated)*		4.3	(87.4)	0.7	(39.1)	(0.4)	474.6	18.8	371.5
At 1 June 2021 (restated)*		4.3	(87.4)	0.7	(39.1)	(0.4)	474.6	18.8	371.5
Profit for the year		–	–	–	–	–	48.5	1.7	50.2
Other comprehensive income/(expense):									
Re-measurement of post-employment obligations	22	–	–	–	–	–	37.4	–	37.4
Exchange differences on translation of foreign operations		–	19.8	–	–	–	–	1.9	21.7
Cash flow hedges movement – fair value gain in year net of taxation	18	–	–	–	–	0.2	–	–	0.2
Disposals – recycle of equity reserves		–	(0.2)	–	–	–	0.3	–	0.1
Deferred tax on re-measurement of post-employment obligations	20	–	–	–	–	–	(8.4)	–	(8.4)
Repayment of quasi-equity loans		–	(1.4)	–	–	–	(1.3)	–	(2.7)
Total comprehensive income for the year		–	18.2	–	–	0.2	76.5	3.6	98.5
Transactions with owners:									
Ordinary dividends	8	–	–	–	–	–	(25.5)	–	(25.5)
Share-based payment charges		–	–	–	2.0	–	–	–	2.0
Non-controlling interests dividend paid		–	–	–	–	–	–	(0.5)	(0.5)
Sale of non-controlling interests		–	–	–	–	–	–	3.3	3.3
Total transactions with owners recognised directly in equity		–	–	–	2.0	–	(25.5)	2.8	(20.7)
At 31 May 2022		4.3	(69.2)	0.7	(37.1)	(0.2)	525.6	25.2	449.3

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operations	25	66.2	73.4
Taxation paid		(12.3)	(20.0)
Interest paid		(3.5)	(2.9)
Net cash generated from operating activities		50.4	50.5
Cash flows from investing activities			
Interest income		2.6	1.2
Investment income		0.1	0.3
Purchase of property, plant and equipment and software	10,11	(8.2)	(8.9)
Proceeds from disposal of PPE and investment property		18.6	0.1
Cash flow from disposal of companies and businesses		7.2	16.2
Resolution of purchase price from disposal of company	28	(0.8)	–
Acquisition of subsidiary	29	(33.6)	–
Cash receipts from repayment of loans by joint venture		8.4	3.4
Cash advances and loans provided to joint venture		–	(9.6)
Net cash (used) / generated from investing activities		(5.7)	2.7
Cash flows from financing activities			
Dividends paid to non-controlling interests		(0.5)	(0.2)
Dividends paid to Company shareholders	8	(25.5)	(24.3)
Acquisition of non-controlling interests		–	(1.1)
Proceeds from loans by joint ventures		0.6	–
Repayment of lease liabilities	26	(4.0)	(4.0)
Proceeds from / (repayment of) loan facility	17	56.0	(9.0)
Net cash generated / (used) in financing activities		26.6	(38.6)
Net increase in cash and cash equivalents		71.3	14.6
Cash and cash equivalents at the beginning of the year	17	87.0	77.5
Effect of foreign exchange rates	17	5.4	(5.1)
Cash and cash equivalents at the end of the year	17	163.7	87.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

PZ Cussons plc is a public limited company registered in England and Wales which is listed on the London Stock Exchange and is domiciled and incorporated in the UK under the Companies Act 2006. The address of the registered office is given on page 247. PZ Cussons plc is the parent company and ultimate Parent of the Group.

The principle activities of the Group are the manufacturing and distribution of soaps, detergents, toiletries, beauty products, pharmaceuticals, electrical goods, edible oils, fats and spreads and nutritional products.

These Financial Statements are presented in Pound Sterling and have been presented in £ million to one decimal place. Foreign operations are included in accordance with the policies set out in note 1.

For the year ended 31 May 2022 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary Name	Companies House Registration Number
St. Tropez Holdings Ltd	05706646
PZ Cussons International Finance Ltd	08589433
Thermocool Engineering Company Ltd	09266188
Bronson Holdings Ltd	09771991

1. Accounting policies

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of Financial Statements, in conformity with IFRSs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Key sources of estimation uncertainty can be found on page 184.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group and liquidity position are also described within that review. Additionally, note 18 to the financial statements includes the Group's objectives and policies for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors consider that adequate resources exist for the Group to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the period ended 31 May 2022.

The Financial Statements have been prepared using consistent accounting policies except as stated below.

(a) New and amended standards adopted by the Group

The Group has reviewed the April 2021 IFRIC agenda decision regarding the treatment of costs related to cloud computing. The Group has implemented an amended accounting policy based on the guidance published within the IFRIC agenda decision. The Group has conducted analysis to identify those projects that, in light of the agenda decision, would have been recognised directly as expenses, rather than capitalised as intangible assets, related to cloud computing. The Group does not consider the impact to historic periods to be material and does not intend to make any adjustment to those periods related to this accounting policy adoption. The Group has instead derecognised the brought forward capitalised costs that were previously held within intangible assets, which total £1.0 million, and recorded these as expenses in the income statement in the year ended 31 May 2022. Given its nature and magnitude, the amount is disclosed as an adjusting item.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 May 2022 reporting year and have not been early adopted by the Group. The Group will undertake an assessment of the impact of the following new standards and interpretations in due course but does not expect it to be material.

• IFRS 17 'Insurance Contracts';	from FY23
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28;	date TBC
• Amendments to IFRS 3 'Business Combinations';	from FY23
• Amendments to IFRS 16 'Leases';	from FY23

• Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';	from FY23
• Amendments to IAS 1 'Presentation of Financial Statements';	from FY24
• Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'; and	from FY24
• Amendments to IAS 12 'Income Taxes'.	from FY24

(c) Restatement due to prior year adjustments

In preparing these financial statements, management identified errors relating to prior periods. Accordingly, prior year adjustments have been made. The issues were identified as the management team conducted reviews across the Group's tax positions, as well as considering the judgement related to the determination of Cash-Generating Units (CGUs) for the purposes of testing the Group's indefinite life intangible assets for impairment.

Indirect tax liability

Management identified an issue related to indirect tax whereby a subsidiary company incorrectly assessed the applicability of VAT to sales of particular goods and purchases of particular raw materials over a period between 2016 and 2019. Management consider that this issue results in a liability that has not previously been recognised in the financial statements of the subsidiary or the Group.

As at the FY22 reporting date, and in line with IAS 37, management have considered it appropriate to recognise a provision of £4.9 million in relation to this liability, which includes applicable fines and interest. Management consider it would have been correct to have recorded the provision in the years in which the incorrect assessment of VAT took place, being between 2016 and 2019. In line with IAS 8, and considering that this time period is before FY21, which is the earliest prior period presented in the financial statements, management have restated the opening balance sheet of this comparative period. A provision of £4.9 million has been recorded within current liabilities and a corporation tax receivable has been recognised for £1.1 million, as a portion of the liability is tax deductible. A resulting reduction in retained earnings and non-controlling interest has been made for the net value of £3.8 million.

Charles Worthington Impairment

In the year, management reviewed the evidence supporting the Group's judgements around CGU identification in relation to the impairment testing of the Group's indefinite life intangible assets and goodwill. This review was focused on the four brands that make up the Group's Beauty division, and was triggered by the Group's new strategy, whereby two of the Beauty brands, St Tropez and Sanctuary, have been determined as Must Win Brands, with the other two beauty brands, Fudge and Charles Worthington, being classified as Portfolio brands.

These four brands and their directly attributable assets were, on initial acquisition, treated as separate CGUs; however, the CGUs were combined in FY12, based on circumstances which management at the time believed supported the interdependence of cash inflows associated with the four brands. In recent years, the judgement around this single CGU determination has been highlighted as a significant judgement within the financial statements.

The conclusion of this year's review of this judgement is that the brands should always have been treated as separate CGUs; whilst there are some interdependencies in cash inflows arising from the brands, in particular when pricing is agreed with a customer across a range of brands and then incorporated into a single contract drawn up covering all brands, when considered overall the cash inflows of each brand are largely independent of each other.

The directors have therefore concluded that each brand, together with its associated assets and liabilities, should have been treated as a separate CGU from the date of acquisition of the brand and not combined into one CGU in FY12. Management have undertaken work to assess the carrying value of each of the four CGUs as at 31 May 2020 and 31 May 2021 and concluded that had the four CGUs been tested individually for impairment at those dates:

- The Charles Worthington CGU would have been impaired by £16.9 million at 31 May 2020, and a reversal of this impairment of £8.3 million would have occurred in the year ended 31 May 2021. A further impairment charge of £11.6 million has also been recorded in respect of Charles Worthington for the year ended 31 May 2022. These movements reflect the impact of Covid-19 on the brand's operating performance, the subsequent post Covid recovery and the Group's renewed strategy which has classified Charles Worthington as a portfolio brand; and
- The Sanctuary Spa, Fudge and St Tropez CGUs would not have been impaired at either 31 May 2020 or 31 May 2021.

Therefore, in accordance with IAS 8, management have recognised prior year adjustments, which, in aggregate:

- reduce the carrying value of intangible assets by £16.9 million and associated deferred tax liabilities by £3.2 million at 31 May 2020 and retained earnings by £13.7 million.
- reduce the carrying value of intangible assets by £8.6 million and associated deferred tax liabilities by £2.2 million at 31 May 2021 with an increase in operating profit of £8.3 million and profit after tax of £7.2 million and a reduction in retained earnings of £6.5 million. The £8.3 million reversal has been disclosed as an adjusting item within note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

31 May 2020 £m	As previously reported	Indirect tax liability	Charles Worthington impairments FY20	Charles Worthington impairments FY21	As restated
Balance sheet					
Goodwill and other intangible assets	304.4	–	(16.9)	–	287.5
Current tax receivable	9.6	1.1	–	–	10.7
Retained earnings	530.3	(2.6)	(13.7)	–	514.0
Non-controlling interests	25.4	(1.2)	–	–	24.2
Deferred taxation liabilities	(65.6)	–	3.2	–	(62.4)
Provisions	(3.2)	(4.9)	–	–	(8.1)

31 May 2021 £m	As previously reported	Indirect tax liability	Charles Worthington impairments FY20	Charles Worthington impairments FY21	As restated
Consolidated income statement					
Administrative expenses	(76.6)	–	–	8.3	(68.3)
Profit before tax	63.2	–	–	8.3	71.5
Corporation tax	(28.2)	–	–	(1.1)	(29.3)
Loss after tax	(16.6)	–	–	7.2	(9.4)
Balance sheet					
Goodwill and other intangible assets	297.5	–	(16.9)	8.3	288.9
Current tax receivable	14.2	1.1	–	–	15.3
Retained earnings	483.7	(2.6)	(13.7)	7.2	474.6
Non-controlling interests	20.0	(1.2)	–	–	18.8
Deferred taxation liabilities	(75.2)	–	3.2	(1.1)	(73.0)
Provisions	(0.7)	(4.9)	–	–	(5.6)

(d) Accounting policies

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of PZ Cussons plc and entities controlled by PZ Cussons plc (its subsidiaries) made up to 31 May each year. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The total profits or losses of subsidiaries are included in the Consolidated Income Statement and the interest of non-controlling interests is stated as the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Comprehensive income attributable to the non-controlling interests is attributed to the non-controlling interests even if this results in the non-controlling interests recognising a deficit balance.

The interest of non-controlling interests in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Where non-controlling interests are acquired, the excess of cost over the value of the non-controlling interest acquired is recorded in equity.

Where necessary, the accounts of subsidiaries are adjusted to conform to the Group's accounting policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', which are recognised and measured at the lower of the assets' previous carrying value and fair value less costs to sell. All acquisition costs are expensed as incurred as adjusting items.

Where acquisitions are achieved in stages, commonly referred to as 'stepped acquisitions', and result in control being obtained by the Group as part of a transaction, the Group re-assesses the fair value of its existing interest in joint ventures as part of determining the fair value of consideration. In determining the fair value of the Group's existing interest, reference is given to the fair value of consideration paid to increase the Group's interest in joint ventures as well as considering the specific fair values of assets and liabilities transferred to gain control. Any increase or impairment of the Group's existing interest will be credited/charged to the Income Statement as an adjusting item.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficit below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Income Statement in the period of acquisition.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. If, after re-assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

Goodwill also includes amounts to reflect deferred tax liabilities established in relation to acquisitions in accordance with IFRS 3 'Business Combinations'. Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in joint ventures

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PZ Cussons plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of results of a joint venture' in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, trade spend, rebates and sales-related taxes but including interest receivable on sales on extended credit. Sales of goods are recognised when control of goods has been transferred which is generally on receipt or collection by customers. Should management consider that the criteria for recognition are not met, revenue is deferred until such time as the consideration has been fully earned.

Trade promotions, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

Trade promotions

The Group provides for amounts payable to trade customers for promotional activity. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of customer and consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred.

Where promotions, rebates or discounts give rise to variable consideration, the Group accounts for this by using the most likely amount method and this is generally estimated using known facts with a high degree of accuracy. Revenue is constrained to the extent that variable consideration has been taken into account for the period and that no reversal in consideration is expected.

Foreign currencies

The Financial Statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are presented in Pounds Sterling, which is the functional currency of the Company, and the presentational currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the actual rate of exchange prevailing on the dates of the transactions, or at average rates of exchange if they represent a suitable approximation to the actual rate. At each balance sheet date, monetary assets and liabilities denominated in currencies other than the functional currency of the local entity are translated at the appropriate rates prevailing on the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing Balance Sheet rate. Exchange differences are recognised in other comprehensive income.

Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Cumulative foreign currency translation differences arising on the translation and consolidation of foreign operations' income statements and balance sheets denominated in foreign currencies are recorded as a separate component of equity. On disposal of a foreign operation the cumulative translation differences will be transferred to the Income Statement in the period of the disposal as part of the gain or loss on disposal.

Finance income and costs

Finance income is earned on deposits and finance costs are incurred on interest bearing loans and borrowings. Both are recognised in the Income Statement in the period in which they are incurred.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38 'Intangible Assets'.

Operating profit

Operating profit is the profit of the Group (including share of joint venture profit) before finance income, finance costs and taxation from continuing operations.

Retirement benefit and similar obligations

The Group operates retirement benefit schemes in the UK and for most overseas countries in which it carries out business. Those in the UK are defined benefit schemes and defined contribution schemes. Overseas schemes are defined contribution schemes, with the exception of PZ Cussons Indonesia, which operates a defined benefit scheme. The UK defined benefit schemes were closed to future accrual on 31 May 2008.

The Group accounts for its defined benefit schemes under IAS 19 'Employee Benefits'.

The deficit/surplus of the defined benefit pension schemes is recognised on the Balance Sheet (with surpluses only recognised to the extent that the Group has an unconditional right to a refund) and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and the defined benefit obligation/surplus is updated on an annual basis, by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Pension charges/income recognised in the Income Statement consists of administration charges of the scheme, past service costs and a cost/income based on the net interest expense/income on net pension scheme liabilities/surpluses. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier.

Re-measurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding interest) are included directly in the Group's Statement of Comprehensive Income.

Differences between the actual return on assets and interest income, experience gains and losses and changes in actuarial assumptions are included directly in the Group's Statement of Comprehensive Income.

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Other long-term employee benefit obligations relate to provisions for benefit obligations in accordance with local overseas laws in Thailand and Indonesia. The provision is assessed by an independent actuary using the projected unit credit method, with actuarial valuations carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the Statement of Financial Position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Adjusting items

The Group adopts a columnar Income Statement format to highlight significant items within the Group's results for the year. Such items are classified as adjusting items. These items are those that are material in value or related to significant one-off changes in the structure or value of the business. Certain items may be recognised across multiple years if they are deemed to be part of a significant transformation project which would not be expected to recur. Such projects are required to be agreed up front with a clear scope, timeline and budget. The Directors apply judgement in assessing the particular items.

The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Profit and Loss except to the extent that it relates to items recognised in Other Comprehensive Income, in which case it is recognised within the Statement of Other Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the financial year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities recognised for financial reporting purposes and the amounts used for taxation purposes, on an undiscounted basis. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial year end date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Deferred taxation is not provided on the initial recognition of an asset or liability in a transaction, other than in a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The Group maintains adequate provisions for potential liabilities that may arise from periods that remain open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing uncertain tax treatments, management is required to make judgements in determination of the facts and circumstances in respect of the tax position taken, together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As the Group operates in a multinational tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Land and buildings held from before the date of transition to IFRS for use in the production or supply of goods or services, or for administration purposes, are stated in the Balance Sheet at deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

Freehold buildings at rates not less than	2% per annum
Plant and machinery not less than	8% per annum
Fixtures, fittings and vehicles not less than	20% per annum

In the case of major projects, depreciation is provided from the date the project in question is brought into use. Land and assets in the course of construction are not depreciated.

An asset is de-recognised from the Balance Sheet when it is sold or retired and no future economic benefits are expected from that asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement for the year when the asset is de-recognised.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that has been impaired is reviewed for possible reversal of the impairment at each subsequent balance sheet date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the value that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investment property

On acquisition, investment property is initially recognised at cost, or deemed cost where no monetary consideration is exchanged. Investment property is subsequently recognised in the accounts at cost and recorded as a separate line item within property, plant and equipment. Gains or losses on disposal are recognised within administrative expenses in profit and loss. No depreciation is charged on the basis that it is not considered to be material in any year or cumulatively.

Other intangible assets

An acquired brand is only recognised on the Balance Sheet where it is supported by a registered trademark, where brand earnings are separately identifiable or the brand could be sold separately from the rest of the business. Brands acquired as part of a business combination are recorded in the Balance Sheet at fair value at the date of acquisition. Trademarks, patents and purchased brands are recorded at purchase cost. In accordance with IAS 36 'Impairment of Assets', as the brands have indefinite lives they are tested for impairment annually, and more frequently where there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Income Statement.

The Directors believe that the acquired brands have indefinite lives because, having considered all relevant factors, there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group. Further, the Directors have the intention and the ability to maintain the brands. In forming this conclusion they have not taken into consideration planned future expenditure in excess of that required to maintain the asset at that standard of performance. Indefinite life brands are allocated to the cash-generating units to which they relate and are tested annually for impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as income. Profit or losses on disposal of brands are included within operating profit within adjusting items.

Software development

Expenditure on research activities is recognised in the Income Statement as an expense as incurred. Expenditure on development activities directly attributable to the design and testing of identifiable software products and systems are capitalised if the product or systems meet the following criteria:

- The completion of the development is technically and commercially feasible to complete;
- Adequate technical resources are sufficiently available to complete development;
- It can be demonstrated that future economic benefits are probable; and
- The expenditure attributable to the development can be measured reliably.

Development activities involve a plan or design for the production of new or substantially improved products or systems. Directly attributable costs that are capitalised as part of the software product or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as incurred. Development costs for software are carried at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives (not exceeding ten years) at the point at which they come into use.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as those less than £5 thousand). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The nature of the Group's leasing activities is mainly properties, with small elements of equipment and cars. Rental contracts are typically made for fixed periods of one to 12 years but may have extension options as described in (i) below.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments, excluding those paid at the commencement date, discounted by using the Group's incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate; or
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or that transfer ownership of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the Income Statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the Consolidated Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated based on standard costs based on normal operating conditions with price and usage variances apportioned using the periodic unit pricing method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Where net realisable value is lower than cost, provision for impairment is made which is charged to cost of sales in the Income Statement.

Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when their carrying amount will be recoverable principally through a sale transaction rather than through continuing use. To be classified as a 'held for sale' asset or disposal group, the sale must be highly probable and the assets must be available for sale immediately in their present condition. In addition, all of the following criteria must also be met: management is committed to the plan to sell; the assets are being actively marketed; actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and a sale has been agreed or is expected to be concluded within 12 months of the balance sheet date.

Immediately prior to classification as held for sale, the value of the assets or groups of assets is re-measured in accordance with the requirements of IFRS 5. Subsequently, assets and disposal groups classified as held for sale are measured at the lower of book value or fair value less disposal costs. Assets held for sale are neither depreciated nor amortised.

Discontinued operations

To be classified as a discontinued operation, any disposal group or asset held for sale must have clearly distinguishable operations or cash flows, as well as meeting any one of the following three criteria: the component must be a separate major line of business or geographical area of operations; or part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. If none of these three criteria are met, the disposal group or asset held for sale will be classified within continuing operations.

Cash, cash equivalents and bank overdrafts

Cash and cash equivalents include cash at bank and in hand, call and short-term deposits and other highly liquid investments with original maturities of three months or less which are readily convertible onto known amounts of cash and insignificant risk of changes in value.

Bank overdrafts are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Group's activities expose it to the financial risk resulting from changes in underlying market rates including foreign exchange and interest rates. The Company uses derivative financial instruments such as forward currency contracts and interest rate caps to hedge its risks associated with foreign currency and interest rate fluctuations.

For those derivatives designated as hedges and for which hedge accounting is appropriate, the Group documents at the inception of the transaction, the hedging relationship between hedging instruments and hedged items. The documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged as well as its risk management objectives and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The Group also performs periodic assessment of whether the derivatives that are used in hedging transactions remain highly effective. The Group designates gross positions and hedge documentation is prepared in accordance with IFRS 9.

All derivative financial instruments are initially recognised and subsequently remeasured at each reporting date at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting, or in relation to any ineffective portion of derivatives that are otherwise in a hedging relationship are recognised immediately in the Income Statement.

Financial assets

The Group's financial assets are initially and subsequently measured at either amortised cost or fair value through profit and loss, depending on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

a) Trade receivables

Trade and other receivables are initially measured at transaction price, and subsequently at amortised cost. The amortised cost for trade and other receivables is generally equivalent to the invoiced amount less allowance for expected credit losses (ECL). The ECL is based on the difference between the contractual cash flows due in accordance with the contract and the present value of all the cash flows that the Group expects to receive. The Group has elected to use the simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECLs at each reporting date (i.e. the expected credit losses that will result from all possible default events over the expected life of the financial instrument). The Group has applied the practical expedient to calculate ECLs using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade receivables are fully impaired and subsequently written off when all possible routes through which amounts can be recovered have been exhausted. The Group recognises any impairment gain or loss in profit or loss with a corresponding adjustment to the financial asset's carrying amount through a loss allowance account.

b) Loans to joint ventures

The Group's loans to the joint venture (presented in the Balance Sheet as part of the 'net investment in joint ventures') are measured initially at fair value and is subsequently measured at fair value through profit or loss. An annual estimate of the loss allowance is calculated using a life time expected credit loss model. The Group assesses the ECL allowance for the loan from the joint venture as follows:

- Where there has been a significant increase in credit risk since initial recognition – the Group measures ECL based on lifetime ECLs i.e. all credit losses expected from possible default events over the remaining life of the loan, irrespective of the timing of the default.
- Where there has not been a significant increase in credit risk since initial recognition – the Group measures the loss allowance at an amount equal to 12-month ECL i.e. the portion of lifetime ECL that is expected to result from default events on the loan that are possible within 12 months after the reporting date.

In assessing whether the credit risk has increased significantly on the loan from the joint venture since initial recognition, the Group compares the risk of a default occurring on the loan at the reporting date with the risk of a default occurring on the loan at the date of initial recognition. In making this assessment, the Group considers, in particular, the financial and operational performance of the joint venture, changes to the financial forecasts or increases in credit risk on other receivables. The Group has determined that the ECL for the loan to the joint venture should be based on lifetime ECLs at the reporting date and has determined that no provision is required in relation to this loan. Any associated loss allowance related to loans to joint ventures is recorded in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest bearing loans and borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses arising on the repurchase, settlement or other cancellation of interest-bearing loans and borrowings are recognised in finance income and finance costs, respectively.

Trade payables

Trade payables are initially recognised at fair value, normally being the invoiced amounts, and subsequently measured amortised cost, using the effective interest rate method. The carrying amount of trade payables generally equals the originally invoiced amounts.

Trade payables under vendor financing arrangements

The Group may from time to time enter into arrangements with a bank or banking partners under which the bank offers vendors the option to receive early settlement of its trade receivables. Vendors utilising the financing arrangement pay a fee to the bank. The Group does not pay any fees and does not provide any additional collateral or guarantee to the bank. Based on the Group's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and are not discounted. As at the reporting date, account payables under vendor financing arrangements were £5.9 million (2021: £2.7 million), see note 19.

Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as an equity instrument.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Hedging reserve

The hedging reserve represents the accumulated movements in the fair value of both the hedged item and the hedging instrument, where the hedged item and hedging instrument are designated to be in a continuing and effective hedging relationship. The Hedging reserve includes both the cash flow hedge reserve and the cost of hedging reserve.

Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss or when the hedged transaction is no longer expected to occur, or included directly in the initial recognition value of where the hedged transaction results in recognition of a non-financial asset.

Capital redemption reserve

Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the capital redemption reserve.

Currency translation reserve

The Currency translation reserve recognises the cumulative effect of foreign exchange differences arising on translation of the Group's overseas operations from their local functional currency to the Group's presentational currency.

Other reserve

Amounts in respect of the Employee Share Option Trust (ESOT) are recognised in the other reserve.

Segmental reporting

Operating segments are identified in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Leadership Team (ELT). For reporting purposes, in accordance with IFRS 8 'Operating Segments', the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report, with the CODM identifying four reporting segments being Europe & the Americas, Asia Pacific, Africa and Central. Further detail is included in note 2.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation for a future liability as a result of a past event, where the amount of the obligation can be estimated reliably and it is probable that the Group will be required to settle that obligation. The amount recognised as a provision is the Group's best estimate at the balance sheet date of the likely future economic outflows required to settle the obligation.

(i) VAT provision

A provision is held for indirect tax liabilities of a subsidiary entity. Further information is included in note 1c.

(ii) Warranty provisions

Warranties are provided within the Africa Electricals Division. Warranties are provided from the date of purchase and are typically 12 months in length. A warranty provision is included in the Financial Statements, which is calculated on the basis of historical returns as well as past experiences and industry averages for defective products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Share-based payments

The Group operates a Performance Share Plan for senior executives, which involves equity-settled share-based payments.

The awards under the Performance Share Plan are measured at the fair value at the date of grant and are expensed over the vesting period based on the expected outcome of the performance and service conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

Accounting estimates and judgements

The Group's significant accounting policies under IFRS have been set by management with the approval of the Audit & Risk Committee. The application of these policies requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period.

Key sources of estimation uncertainty

Pensions

The Group's UK defined benefit pension schemes are closed to new members and future accruals. Year-end recognition of the liabilities under these schemes and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the Income Statement and Statement of Comprehensive Income and on the pension liability/asset in the Balance Sheet. See note 22 for details of key estimates and assumptions applied in valuing the pension schemes.

Current tax

Current tax liabilities/assets relate to the expected amount of tax to be paid/received as a result of the operating performance of the Group's entities. In calculating the appropriate tax charge, assumptions and judgements are made regarding application and interpretation of local laws.

In situations where tax impacts are subject to uncertain treatment, interpretation of local rule or regulation, or otherwise remain to be agreed with relevant tax authorities, an estimate of any resulting financial impact may be recorded in the financial statements. Any such management estimates are made in accordance with IFRS requirements, including IAS12 and IFRIC23 when considering income tax and IAS37 in relation to non-income taxes. Due to the uncertainty associated with such tax items, there is a possibility that on conclusion of open tax matters at a future date, the final outcome may differ significantly from the original amounts recorded. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the Income Statement in the period in which it is determined.

Included within the current tax liability of the Group are current tax estimates with carrying values as at 31 May 2022 of £29.5 million (2021: £25.3 million), of which £18.8 million (2021: £17.1 million) relates to a single estimate arising due to a difference in technical standpoint between PZ Cussons Plc and a tax authority on a subjective and complex piece of legislation. This difference of opinion has led to an audit of the associated tax returns. This potential tax liability has been provided for in full due to the subjectivity of the legislation. It is expected that the range of possible outcomes could be a liability between £nil and £18.8 million. It has been provided for in full because the directors believe the economic outflow to be probable, not because the legislation is subjective.

Of the remaining £10.7 million (2021: £3.7 million), £5.1 million (2021: £2.8 million) relates to the perceived risk that due to the subjective nature of transfer pricing in certain jurisdictions, tax authorities may challenge the arm's length nature of certain intercompany transactions.

In addition to the provision items listed above, at 31 May 2022 the Group held further contingent tax liabilities of £8.9 million (2021: £25.9 million). Whilst the Group considers that there is a low possibility of any material outflow as a result of these claims, they have been disclosed as contingent liabilities in accordance with IAS37. The material reduction in the current year relates to a reclassification of outstanding items due to changes in judgement of the probability of settlement.

Critical areas of judgement

Determination of CGUs

The Directors are also required to apply judgement when assessing whether the brands meet the definition of a cash generating unit ('CGU') under IAS36. As disclosed in note 1c, during the year, the directors performed a review of the appropriateness of the judgement that the four brands making up the Group's Beauty business represented a single CGU. This is a key judgement since it underpins the way in which indefinite life brands are tested for impairment. The directors concluded that the four brands each represents its own CGU which should be tested separately for impairment accordingly. The change in this critical area of judgement has resulted in the recognition of prior year adjustments in these accounts.

Assessment of useful lives of acquired brands

The Directors are required to assess whether the useful lives of acquired brands are finite or indefinite. Under IAS 38 'Intangible Assets', an intangible asset should be regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

In forming their judgement that the acquired brands have indefinite lives, the Directors give consideration to such factors as their expected usage of the brands, typical product life cycles, the stability of the markets in which the brands are sold, the competitive positioning of the brands, and the level of marketing and other expenditure required to maintain the brands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Segmental analysis

The segmental information presented in this note is consistent with management reporting provided to the Executive Leadership Team (ELT), which is the Chief Operating Decision Maker (CODM). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate. The CODM considers the business from a geographic perspective, with Europe & the Americas, Asia Pacific, Africa and Central being the operating segments.

In accordance with IFRS 8 'Operating Segments', the ELT has identified these reportable segments which aggregate the Group's trading entities by geographic location as these entities are considered to have similar economic characteristics. The number of countries that the Group operates in within these segments is limited to no more than five countries per segment, which share similar customer bases and encounter comparable micro-environmental challenges.

The CODM assesses the performance based on operating profit before any adjusting items. Revenues and operating profit of the Europe & the Americas and Asia Pacific segments arise from the sale of Hygiene, Beauty and Baby products. Revenue and operating profit from the Africa segment also arise from the sale of Hygiene, Beauty and Baby products as well as Electrical products. The Central segment refers to the activities in terms of revenue of our in-house Fragrance business and in terms of cost of expenditure associated with the Global headquarters and above market functions net of recharges to our regions. The prices between Group companies for intra-Group sales of materials, manufactured goods, and charges for franchise fees and royalties, are carried out on an arm's length basis.

Reporting used by the CODM to assess performance does contain information about brand-specific performance but global segmentation between the portfolio of brands is not part of the regular internally reported financial information.

Reporting segments

Continuing operations

2022	Europe & the Americas £m	Asia Pacific £m	Africa £m	Central £m	Eliminations £m	Total £m
Gross segment revenue	196.3	179.2	222.0	77.3	(82.0)	592.8
Inter-segment revenue	(3.3)	(5.4)	–	(73.3)	82.0	–
Revenue	193.0	173.8	222.0	4.0	–	592.8
Segmental operating profit / (loss) before adjusting items and share of results of joint ventures	35.0	20.9	15.7	(10.3)	–	61.3
Share of results of joint ventures	–	–	6.6	–	–	6.6
Segmental operating profit / (loss) before adjusting items	35.0	20.9	22.3	(10.3)	–	67.9
Adjusting items	(12.1)	16.1	6.3	(11.6)	–	(1.3)
Segmental operating profit / (loss)	22.9	37.0	28.6	(21.9)	–	66.6
Finance income						2.7
Finance costs						(4.0)
Profit before taxation						65.3

2021 (restated)*	Europe & the Americas £m	Asia Pacific £m	Africa £m	Central £m	Eliminations £m	Total £m
Gross segment revenue	220.9	194.5	192.6	50.9	(55.6)	603.3
Inter-segment revenue	(4.0)	(7.3)	–	(44.3)	55.6	–
Revenue	216.9	187.2	192.6	6.6	–	603.3
Segmental operating profit / (loss) before adjusting items and share of results of joint ventures	52.1	20.7	5.1	(12.5)	–	65.4
Share of results of joint ventures	–	–	5.6	–	–	5.6
Segmental operating profit / (loss) before adjusting items	52.1	20.7	10.7	(12.5)	–	71.0
Adjusting items	7.2	0.1	(1.7)	(2.7)	–	2.9
Segmental operating profit / (loss)	59.3	20.8	9.0	(15.2)	–	73.9
Finance income						1.5
Finance costs						(3.9)
Profit before taxation						71.5

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

The Group's Parent Company is domiciled in the UK. The split of revenue from external customers and non-current assets between the UK, Nigeria and the rest of the world ('Other') is:

2022	UK £m	Nigeria £m	Other £m	Total £m
Revenue	172.5	192.3	228.0	592.8
Goodwill and other intangible assets	296.0	3.0	34.3	333.3
Property, plant and equipment	24.1	34.8	23.9	82.9
Long-term right-of-use assets	12.0	1.4	3.5	16.9
Net investment in joint ventures	45.4	–	–	45.4

2021 (restated)*	UK £m	Nigeria £m	Other £m	Total £m
Revenue	197.3	163.6	242.4	603.3
Goodwill and other intangible assets	260.3	3.0	25.6	288.9
Property, plant and equipment	24.1	42.8	24.6	91.5
Long-term right-of-use assets	7.3	1.2	3.2	11.7
Net investment in joint ventures	34.2	–	–	34.2

The Group analyses its revenue by the following categories:

	2022 £m	2021 £m
Hygiene	305.9	322.4
Baby	103.4	100.0
Beauty	80.9	74.1
Electricals	91.5	79.4
Other	11.1	27.4
	592.8	603.3

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Adjusting items

Year to 31 May 2022	Adjusting items before taxation £m	Taxation £m	Adjusting items after taxation £m
Adjusting items included within continuing operations:			
Nigeria Simplification	7.8	(1.5)	6.3
HR Transformation	(2.9)	0.6	(2.3)
Control Transformation	(0.7)	0.1	(0.6)
Supply Chain Transformation	(0.7)	0.1	(0.6)
Profit on disposal of five:am	0.7	–	0.7
Childs Farm acquisition-related costs	(1.4)	–	(1.4)
Compensation from Australian Competition & Consumer Commission	1.5	(0.5)	1.0
Recycling of foreign exchange on quasi-equity loans	(1.5)	(0.1)	(1.6)
De-recognition of capitalised costs related to cloud computing arrangements	(1.0)	0.2	(0.8)
Impairment of Charles Worthington brand intangible assets (note 10)	(11.6)	2.9	(8.7)
Reversal of impairment of Rafferty's Garden brand intangible assets (note 10)	8.5	(2.1)	6.4
Total adjusting items	(1.3)	(0.3)	(1.6)

Year to 31 May 2021 (restated)*	Adjusting items before taxation £m	Taxation £m	Adjusting items after taxation £m
Adjusting items included within continuing operations:			
Group and regional restructuring	(2.8)	0.5	(2.3)
Impact of classification of five:am assets as held for sale	1.2	(0.3)	0.9
Nigeria Simplification	(3.8)	0.2	(3.6)
Reversal of impairment of Charles Worthington brand intangible assets	8.3	(2.1)	6.2
UK tax rate change – deferred tax impact	–	(13.2)	(13.2)
	2.9	(14.9)	(12.0)
Adjusting items included within discontinued operations:			
Loss on disposal of Nutricima assets	(40.7)	(5.2)	(45.9)
Disposal of Luksja brand	(0.4)	–	(0.4)
	(41.1)	(5.2)	(46.3)
Total adjusting items	(38.2)	(20.1)	(58.3)

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Explanation of adjusting items

Year to 31 May 2022

Adjusting items – continuing operations

Nigeria Simplification

£7.8 million of net income before tax was recognised relating to the Nigeria Simplification project. The amount comprises £15.9 million of profit on disposal of a number of residential properties in Nigeria as well as £7.6 million of costs related to the impairment of factory assets and associated engineering spares held in inventory. These assets relate to product categories that are being reduced as part of the Group's simplification strategy. The Group expect to complete further disposals in the following financial year with an expected net income of £17 million. Please see note 11 for further information.

HR Transformation

The HR Transformation programme centres around investment in a new people system. The investment will enhance ways of working, build organisational capability and underpin our new culture, reduce organisational risk and embed better controls and drive process efficiency. This two-year programme of change is split into two phases. Phase 1 will deliver the foundational improvements to our people processes (delivered in this financial year, costing £2.9 million) and Phase 2 will enable PZ Cussons to transform and realise all the benefits, expected to be delivered the first half of the next financial year at a cost of £1 million.

Controls Transformation

This project is a three-year programme of change which, as well as ensuring we are ready for compliance deadlines with future corporate reform in Nigeria and the UK, will also embed an overall strong FTSE plc control environment across the Group, resolving structural root causes in a comprehensive and properly funded manner and significantly reducing the ongoing control issues and risks- with the right set of processes and systems and a properly resourced financial control team. It will deliver an optimal Finance Shared Service Centre footprint, and address legacy finance process and systems issues. The Group has incurred £0.7 million of costs in the period and expects to incur around £7 million in the next financial year.

Supply Chain Transformation

The Supply Chain Transformation programme is a multi-year programme which responds to the longer-term business strategy of the organisation. The programme aims to align and improve supply chain capabilities and drive activities that will dramatically reduce business complexity. It focuses on leading brands for priority markets and outsourcing manufacturing that is no longer economically viable. It enhances capabilities where there is scale and strategic advantage in terms of formulation or manufacturing or where there are geographical benefits. The Group has incurred £0.7 million in the period and expects to incur around £4 million in the next financial year.

Disposal of five:am

On 4 June 2021, PZ Cussons plc completed the sale of the assets associated with five:am, which was the Group's yoghurt business in Australia. On this date, the control of the assets passed to the acquirer, Barambah Organics. Proceeds for the sale were £7.2 million. The pre-tax profit recognised on disposal was £0.7 million is stated after accounting for the recycling to the profit and loss account of historical accumulated foreign exchange losses of £0.4 million that were initially recorded directly in equity. The results of five:am have not been reported within discontinued operations in the FY22 or FY21 results as five:am does not represent a disposal of a major line of business or an exit from a geographic area of operation as per IFRS 5.32.

Acquisition of Childs Farm

On 21 March 2022, the Group acquired all of the issued share capital in Childs Farm, the UK market-leading baby and child personal care brand. Joanna Jensen, founder of Childs Farm, made an investment into the PZ Cussons subsidiary that completed the acquisition such that PZ Cussons now owns a 92% interest in Childs Farm. The costs of the acquisition and subsequent integration with the Group are expected to be around £1.9 million, with £1.4 million incurred in the period with the further £0.5 million expected to be incurred in the first half of the next period. Please see note 29 on page 232 for further information.

Australia Competition & Consumer Commission compensation

In the period the Group received a payment of £1.5 million from the Australian Competition & Consumer Commission as compensation towards legal costs incurred by the Group in a successful defence of a legal case related to competition in the laundry market in Australia dating from 2008-2009.

Recycling of foreign exchange losses

£1.5 million of costs were recognised related to the recycling of accumulated historical foreign exchange losses following a decision taken in the period to repay the intercompany quasi-equity loan between PZ Cussons Ghana Ltd and PZ Cussons Holdings Ltd. The loan was originally intended to be long term, which is why it was treated as a quasi-equity loan, but a decision was made in the period to repay it due to the fact there was a surplus of cash available in PZ Cussons Ghana Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Adjusting items continued

De-recognition of capitalised costs related to cloud computing arrangements

The Group has reviewed the April 2021 IFRIC agenda decision regarding the treatment of costs related to cloud computing. The net book value of those costs, as at 30 November 2021, was £1.0 million. The Group has de-recognised these brought-forward capitalised costs, that were previously held within intangible assets, and recorded these as expenses in the Income Statement for the period ended 31 May 2022. The impact of this de-recognition has been disclosed as an adjusting item due its nature and magnitude, in line with the Group's adjusting items policy. Please see note 10 on page 197 for further information.

Impairment of Charles Worthington brand intangible assets

The Group performed a review of future growth assumptions in relation to Charles Worthington and concluded that the value-in-use of this cash-generating units was lower than the carrying value and therefore booked an impairment charge to intangible assets of £11.6 million per IAS 36. Please see note 10 on page 197 for further information.

Reversal of impairment of Rafferty's Garden brand intangible assets

The Group performed a review of future growth assumptions in relation to Rafferty's Garden brand and concluded value-in-use of this cash-generating units was higher than the carrying value and therefore reversed a previously recorded impairment charge to intangible assets of £8.5 million per IAS 36. Please see note 10 on page 197 for further information.

Year to 31 May 2021

Adjusting items – continuing operations

Group and regional restructuring

The Group incurred costs of £2.8 million relating to restructuring. These costs are predominantly redundancy costs relating to a reduction in the organisational model in the Group Head Office and in the Regions. £4.9 million of costs related to restructuring were included within the Group Structure and Systems adjusting item from FY20. The Directors have considered these costs adjusting in nature on the basis that they relate to one-off restructuring costs, particularly redundancy.

Impact of classification of five:am assets as held for sale

The Group recognised an impairment reversal credit of £1.5 million as a result of revaluing the five:am assets prior to classifying as held for sale (see notes 10 and 12 for further details). Costs of £0.3 million were incurred relating to advisory and legal fees associated with the sale of the brand. This has been included within continuing operations adjusting items as the sale of five:am does not represent a disposal of a major line of business or an exit from a geographical area of operation as per IFRS 5. The Directors have considered these costs adjusting in nature on the basis that they relate to the disposal of operations.

Nigeria Simplification

The Group incurred £3.8 million of costs related to redundancy and restructuring associated with the Nigeria Simplification project, including redundancy costs across the Nigerian businesses (£0.7 million), separation costs and the write-down of assets due to the closure of our Coolworld retail electrical stores in Nigeria (£0.7 million), change in ownership of the joint ventures due to impact of merging PZ Wilmar Ltd and PZ Wilmar Food Ltd (£0.2 million) and an impairment charge following the cessation of trading of Wilmar PZ International Pte Limited (£2.2 million). Further activity is expected against this project in the following financial year ending May 2022 which is expected to include further costs related to restructuring as well as income associated with the disposal of residential property. The Directors have considered these costs adjusting in nature on the basis that they relate to one-off restructuring costs, and particularly redundancy, and write-down of assets and investments related to restructuring of activities.

UK tax rate change – deferred tax impact

The impact of changes to the enacted corporation tax rates has increased the tax charge by £13.2 million. The impact largely relates to the increase in the corporation tax rate in the UK from 19% to 25% resulting in the revaluation of deferred tax liabilities of which £8.9 million relates to intangible balances held only on consolidation. The Directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs impact of a change in corporation tax change and are not reflective of the underlying tax position of the Group.

Reversal of impairment of Charles Worthington brand intangible assets

The Group performed a review of future growth assumptions in relation to Charles Worthington brand and concluded value-in-use of this cash-generating units was higher than the carrying value for Charles Worthington and therefore reversed a previously recorded impairment charge to intangible assets of £8.3 million per IAS 36. Please see note 10 for further information.

Adjusting items – discontinued operations

Loss on disposal of Nutricima assets

The Group recognised costs of £45.9 million relating to the sale of the Nutricima business. This represents the loss on disposal net of project-related costs of £40.7 million, which includes the recycling of foreign exchange losses from the currency reserve of £39.9 million related to intercompany loans and assets sold, and an attributable tax charge of £5.2 million. Further detail is provided in note 28. A further £5.9 million of costs were incurred against this project in the prior year within the Group Strategy project in adjusting items. The Directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs associated with the disposal of operations.

Disposal of Luksja brand

The Group incurred final costs of £0.4 million in relation to the wind-up of the PZ Cussons Polska legal entity as a result of the Luksja disposal in the previous financial year. The Directors have considered these costs adjusting in nature on the basis that they relate to the one-off costs associated with the disposal of operations.

4. Profit for the year

Profit for the year has been arrived at after charging / (crediting):

	2022 £m	(Restated)* 2021 £m
Net foreign exchange losses	7.1	16.0
Research and development costs	2.0	2.1
Impairment of property, plant and equipment (note 11)	5.9	0.5
Depreciation of property, plant and equipment (note 11)	9.3	11.0
Impairment reversal of intangible assets (note 10)	(8.5)	(9.8)
Impairment of intangible assets (note 10)	11.6	–
Amortisation of intangible assets (note 10)	6.6	6.3
Depreciation of right-of-use assets (note 26)	3.5	3.3
(Profit)/loss on disposal of assets	(15.9)	8.7
Raw and packaging materials and goods purchased for resale (note 14)	342.4	343.3
Inventory provisions (note 14)	6.9	6.6
Net trade receivable provision release (note 15)	–	(2.7)
IFRS 16 short-term or low-value lease rentals (note 26)	–	0.2
Employee costs (note 5)	68.9	76.9
Auditor's remuneration (see below)	2.1	2.0

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Profit for the year – analysis by nature continued

Auditor's remuneration

A more detailed analysis of Auditor's remuneration on a worldwide basis is provided below:

	2022 £m	2021 £m
Fees payable to the Company's Auditor for the audit of the Company's annual Financial Statements and Consolidation	1.3	1.0
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	0.8	1.0
Total audit fees	2.1	2.0
Fees payable to the Company's Auditor and its associates for other services:		
– Audit-related assurance services	–	–
Total fees	2.1	2.0

Fees for permitted non-audit services paid to the Company's Auditor included £40,000 (2021: £40,000) which were in respect of the review of the Group's interim statement released in February 2022 and £700 in respect of services rendered to witness and report on the destruction of stock in Thailand.

5. Directors and employees

Employee costs

The average monthly number of employees (including Executive Directors) was as follows:

	2022 Number	2021 Number
Production	1,783	2,009
Selling and distribution	668	744
Administration	401	399
	2,852	3,152

The costs incurred in respect of the above were as follows:

	2022 £m	2021 £m
Wages and salaries	59.6	67.6
Social security costs	3.3	3.9
Pension costs	4.5	4.5
Share-based compensation costs	1.5	0.8
	68.9	76.8

The pension costs (note 22) consist of:

	2022 £m	2021 £m
Defined benefit schemes	1.7	1.6
Defined contribution schemes	2.2	2.4
Nigerian gratuity scheme	0.5	0.4
Other post-employment benefits	0.1	0.1
	4.5	4.5

Directors' remuneration

The costs incurred in respect of the Directors, who are regarded as the key management personnel, were as follows:

	2022 £m	2021 £m
Short-term employee benefits	1.5	2.4
Post-employment benefits	0.1	0.1
Total	1.6	2.5

Additional details are within the Report on Directors' Remuneration on pages 132 to 143.

6. Net finance costs

	2022 £m	2021 £m
Interest receivable on cash deposits	2.1	0.9
Interest receivable on defined benefit pension scheme	0.6	0.6
Interest income	2.7	1.5
Interest payable on bank loans and overdrafts	(2.5)	(1.2)
Interest payable to external third parties	–	(0.5)
Interest payable on defined benefit pension scheme	(0.6)	(0.6)
Interest expense on lease liabilities	(0.5)	(1.0)
Finance costs incurred on Revolving Credit Facility renewal	(0.4)	(0.6)
Finance costs	(4.0)	(3.9)
Net finance costs	(1.3)	(2.4)

7. Taxation

	2022 £m	(Restated)* 2021 £m
Current tax		
UK corporation tax charge for the year	2.5	8.5
Adjustments in respect of prior years	(0.5)	1.6
Double tax relief	(1.1)	(1.0)
	0.9	9.1
Overseas corporation tax charge for the year	12.2	0.9
Adjustments in respect of prior years	(0.5)	(0.2)
	11.7	0.7
Total current tax charge	12.6	9.8
Deferred tax		
Origination and reversal of temporary timing differences	(2.5)	7.2
Adjustments in respect of prior years	3.0	3.6
Effect of rate change adjustments (including 2021 adjusting item of £13.2m)	0.1	13.4
Total deferred tax charge	0.6	24.2
Total tax charge	13.2	34.0

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Taxation continued

Within the tax charge for the year, £0.3 million is classified within adjusting items, of which £(0.8) million is deferred tax and £1.1 million is current tax. Further detail included in note 3.

UK corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. UK deferred tax is measured at 25% following the Finance Act 2021. Per the announcement made by the UK Government on the 23rd September 2022, the planned increase of Corporation tax from 19% to 25% will be abolished. In line with the Finance Act 2021, UK deferred taxes are currently shown in the Financial Statements at 25% and will be revalued to 19% in future reporting periods once this change has been enacted.

The Group has chosen to use the UK corporation tax rate for the reconciliation of the charge for the year to the profit before taxation per the Consolidated Income Statement, as this is where the majority of the Group's profit is derived and tax residency of the Group.

	2022 £m	(Restated)* 2021 £m
Profit before tax from continuing operations	65.3	71.5
Loss before tax from discontinued operations	(1.7)	(46.9)
Profit before tax	63.6	24.6
Tax at the UK corporation tax rate of 19.0% (2021: 19.0%)	12.1	4.7
Adjusted for:		
Tax effect of expenses that are not deductible/taxable	6.6	15.8
Tax effect of non-taxable income	(10.0)	(2.4)
Effect of rate changes on deferred taxation (all territories)	–	13.4
Tax effect of share of results of joint ventures	(2.0)	(1.7)
Other taxes suffered	2.2	2.4
Net adjustment to amount carried in respect of uncertain tax positions	0.2	(6.8)
Movements in deferred tax assets not recognised	–	8.1
Adjustments in respect of prior years	(1.2)	5.0
Difference in foreign tax rates (non-UK residents)	5.3	(4.5)
Tax charge for the year	13.2	34.0
Tax charge attributable to continuing operations	13.3	29.3
Tax (credit) / charge attributable to discontinued operations	(0.1)	4.7
Tax charge for the year	13.2	34.0

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

The Company is resident in the United Kingdom for tax purposes. The effective tax rate for the year ended May 31, 2022 including adjusting items and discontinued operations is 20.8% (2021: 138.1%). The high effective tax rate in FY21 was driven by a one-off adjusting item following the disposal of Nutricima and the enacted future UK Corporate tax rate change impacting the deferred tax charge.

The Group operates in a number of overseas tax jurisdictions that have tax rates in excess of the current UK rate.

Primary reconciling differences between tax at UK corporation tax rate and the actual tax charge for the year include the following:

- Expenses not deductible/taxable amount to £6.6 million (2021: £15.8 million) relate to several items including the disposal of five:am assets (£1.1 million) and intangible amortisation in Nigeria (£0.8 million). The 2021 value of £15.8 million was materially higher due to the impact of the Nigerian Nutricima disposal.
- Items treated as non-taxable reduced the tax charge for the year by £10.0 million (2021: £2.4 million), predominately in relation to the following one off items; a large non-taxable gain in Nigeria of £3.2 million relating to land disposal and non-taxable proceeds of £4.0 million on disposal of the five:am brand and related items.
- Tax liabilities outside the UK increase the annual tax charge by £2.2 million, including unrelievable withholding taxes incurred on dividends received in the UK.
- Differences in foreign tax rates during the year of £5.3 million (2021: (£4.5 million) reflect changes in the Group profitability profile.

Taxation on items taken directly to equity and other comprehensive income was a charge of £9.3 million (2021: £3.8 million). Items relate to deferred tax on pensions, share based payments and foreign exchange differences on intercompany loans. Further detail is included in note 20.

The Group operates in a multinational tax environment where the nature of uncertain tax positions is often complex and subject to change, and necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution.

The Group believes that it has made adequate provision for all open tax positions including those in current discussion with local tax authorities, and which totalled £31.0 million as at 31 May 2022 (2021: £28.3 million). Further information on uncertain tax positions can be found in note 1 under 'Key sources of estimation uncertainty'.

8. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2021 of 3.33p (2020: 3.13p) per ordinary share	14.3	13.1
Interim dividend for the year ended 31 May 2022 of 2.67p (2021: 2.67p) per ordinary share	11.2	11.2
	25.5	24.3
Proposed final dividend for the year ended 31 May 2022 of 3.73p (2021: 3.42p) per ordinary share	15.6	14.3

The proposed final dividends for the years ended 31 May 2021 and 31 May 2022 were/are subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in the Financial Statements at 31 May 2021 and 31 May 2022 respectively.

9. Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits/losses) attributable to each ordinary share in issue. Basic EPS is calculated by dividing the earnings (profit after tax in accordance with IFRS) attributable to owners of the Parent by the weighted average number of ordinary shares that were in net debt during the year. Diluted EPS demonstrates the impact if all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the contingency period (such as those to be issued under employee share schemes – see note 24) were exercised and treated as ordinary shares as at the balance sheet date.

	2022 Number 000	2021 Number 000
Basic weighted average	418,476	418,402
Diluted weighted average	420,841	419,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Earnings per share continued

The difference between the average number of ordinary shares and the basic weighted average number of ordinary shares represents the shares held by the Employee Share Option Trust, while any difference between the basic and diluted weighted average number of shares represents the potentially dilutive effect of the Executive Share Option Schemes and the Performance Share Plan. The average number of shares is reconciled to the basic and diluted weighted average number of shares below:

	2022 Number 000	2021 Number 000
Average number of ordinary shares in issue during the year	428,725	428,725
Less: weighted average number of shares held by Employee Share Option Trust	(10,249)	(10,323)
Basic weighted average shares in issue during the year	418,476	418,402
Dilutive effect of share incentive plans	2,365	614
Diluted weighted average shares in issue during the year	420,841	419,016

Earnings per share from continued and discontinued operations

	2022 £m	(Restated)* 2021 £m
Profit/(loss) after tax attributable to owners of the Parent	**48.5**	**(9.4)**
Adjusting items (net of taxation effect)	2.9	59.0
Adjusted profit after tax	**51.4**	**49.6**

	2022 pence	2021 pence
Basic earnings / (losses) per share	**11.59**	**(2.25)**
Adjusting items	0.69	14.10
Adjusted basic earnings per share	12.28	11.85
Diluted earnings / (losses) per share	**11.52**	**(2.24)**
Adjusting items	0.69	14.08
Adjusted diluted earnings per share	12.21	11.84

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

From continuing operations

	2022 £m	(Restated)* 2021 £m
Profit attributable to owners of the Parent from continuing operations	**50.3**	**42.2**
Adjusting items (net of taxation effect)	2.9	12.7
Adjusted profit after tax	**53.2**	**54.9**

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

	2022 pence	(Restated)* 2021 pence
Basic earnings per share	**12.02**	**10.09**
Adjusting items	0.69	3.03
Adjusted basic earnings per share	12.71	13.12
Diluted earnings per share	**11.95**	**10.07**
Adjusting items	0.69	3.03
Adjusted diluted earnings per share	12.64	13.10

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

From discontinued operations

	2022 £m	2021 £m
Loss after tax attributable to owners of the Parent from discontinued operations	**(1.8)**	**(51.6)**
Adjusting items (net of taxation effect)	–	46.3
Adjusted loss after tax	**(1.8)**	**(5.3)**

	2022 pence	2021 pence
Basic losses per share	**(0.43)**	**(12.33)**
Adjusting items	–	11.06
Adjusted basic losses per share	(0.43)	(1.27)
Diluted losses per share	**(0.43)**	**(12.31)**
Adjusting items	–	11.05
Adjusted diluted losses per share	(0.43)	(1.26)

10. Goodwill and other intangible assets

	Goodwill £m	Software £m	Brands £m	Total £m
Cost				
At 1 June 2020	**69.1**	**63.2**	**268.3**	**400.6**
Currency retranslation	(0.1)	(0.8)	0.3	(0.6)
Additions	–	2.4	–	2.4
Acquisition of non-controlling interest	0.9	–	–	0.9
Disposals	(2.9)	(0.8)	–	(3.7)
Reclassifications from property, plant and equipment	–	1.3	–	1.3
Reclassified as held for sale (note 12)	(21.5)	–	(32.8)	(54.3)
Revised analysis between cost and amortisation of intangible assets and between categories	8.4	0.7	(2.6)	6.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Goodwill and other intangible assets continued

	Goodwill £m	Software £m	Brands £m	Total £m
At 31 May 2021	**53.9**	**66.0**	**233.2**	**353.1**
Currency retranslation	0.8	0.4	1.6	2.8
Additions	16.8	1.4	35.5	53.7
Derecognition of capitalised costs related to cloud computing	-	(2.2)	-	(2.2)
At 31 May 2022	**71.5**	**65.6**	**270.3**	**407.4**
Accumulated amortisation and impairment				
At 1 June 2020 (restated)*	26.3	27.5	59.3	113.1
Currency retranslation	0.3	(0.3)	–	–
Amortisation charge for the year	–	6.3	–	6.3
Disposals	(2.9)	(0.7)	–	(3.6)
Impairment reversal – restated*	–	–	(9.8)	(9.8)
Reclassified as held for sale (note 12)	(21.5)	–	(26.8)	(48.3)
Revised analysis between cost and amortisation of intangible assets and between categories	8.4	–	(1.9)	6.5
At 31 May 2021 (restated)*	10.6	32.8	20.8	64.2
Currency retranslation	0.5	0.3	0.6	1.4
Amortisation charge for the year	–	6.6	–	6.6
Impairment charge	–	–	11.6	11.6
Impairment reversal	–	–	(8.5)	(8.5)
Derecognition of amortisation related to cloud computing	–	(1.2)	–	(1.2)
At 31 May 2022	11.1	38.5	24.5	74.1
Net book values				
At 31 May 2022	60.4	27.1	245.8	333.3
At 31 May 2021- restated*	43.3	33.2	212.4	288.9

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Transfers from property, plant and equipment mainly represent the capitalised element of software costs relating to IT network and security improvements.

The Group has reviewed the April 2021 IFRIC agenda decision regarding the treatment of costs related to cloud computing. The net book value of those costs, as at 31 May 2021, was £1.0 million. The Group has derecognised these brought-forward capitalised costs, that were previously held within intangible assets, and recorded these as expenses in the Income Statement for the year ended 31 May 2021. The impact of this derecognition has been disclosed as an adjusting item due its nature and magnitude, in line with the Group's adjusting items policy. Please see note 3 for further information.

Revised analysis between cost and amortisation in 2021 relates to historic impairment losses which had been recorded against 'Cost', rather than in 'Accumulated amortisation & impairment', and historic currency retranslations which had all been recorded against 'Accumulated amortisation & impairment'. In addition, £0.7 million of software costs were identified which had previously been disclosed as 'Other Brands'.

Amortisation is charged to administrative expenses in the Income Statement.

Software includes the ERP system (SAP). The carrying value of this asset as at 31 May 2022 is £21.4 million (2021: £28.0 million), with five years of amortisation remaining.

The carrying amounts of software are reviewed at each reporting date to determine whether there is any indication of impairment.

Goodwill and other intangible assets (excluding software), which include the Group's acquired brands, all have indefinite useful lives and are subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The method used is as follows:

- Intangible assets (including goodwill) are allocated to appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generate cash inflows independently in relation to the specific intangible/goodwill. Brands are tested for impairment at the individual CGU level and goodwill is tested for impairment at the segment level.
- The recoverable amounts of the CGUs are determined through value-in-use calculations that use cash flow projections from approved budgets and plans over a period of five years which are then extrapolated beyond the five-year period based on estimated long-term growth rates.
- Childs Farm has been reviewed for impairment on the basis of fair value less cost to sell (FVLCS) given the proximity of the acquisition to the year end.

As the Group's brands and goodwill have all arisen from previous business combinations, CGUs have been identified as the business units acquired, as they represent the smallest group of assets which independently generate cash inflows. In the year, management reviewed the evidence supporting the Group's judgements around CGU identification of the Group's indefinite life intangible assets and goodwill, and in particular the determination in place since FY12 that the four Beauty brands, St Tropez, Sanctuary Spa, Fudge and Charles Worthington be combined into one Beauty CGU. The conclusion of this review is that the brands should always have been treated as separate CGUs and in accordance with IAS8, management have recognised prior year adjustments to reflect this fact. Further details can be found in note 1c.

In the year, the Group acquired Childs Farm, and has recognised £35.5 million in relation to the value of the brand and an additional £16.8 million in relation to goodwill, which represents the expected synergies and the deferred consideration arrangement in place for the Group to purchase the outstanding minority shareholding. Further information is available in note 29.

The table below summarises the allocation of goodwill and brands to each CGU.

	Goodwill 2022 £m	(Restated)* Goodwill 2021 £m	Brands 2022 £m	(Restated)* Brands 2021 £m
Original Source	–	–	9.8	9.8
Charles Worthington	8.3	8.3	9.6	21.2
Sanctuary Spa	21.0	21.0	75.4	75.4
St Tropez	11.1	11.1	58.4	58.4
Fudge	–	–	24.6	24.6
Rafferty's Garden	–	–	32.5	23.0
Childs Farm	16.8	–	35.5	–
Nutricima	–	–	–	–
five:am	–	–	–	6.0
Other[1]	3.2	2.9	–	–
Total	60.4	43.3	245.8	218.4
Reclassified as held for sale:				
Nutricima	–	–	–	–
five:am	–	–	–	(6.0)
Total	60.4	43.3	245.8	212.4

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

1 Other includes goodwill arising on the purchase of shares in PZ Cussons Nigeria plc and PZ Cussons Ghana Ltd.

The carrying value of each CGU as used in the value-in-use model may differ to the values disclosed above due to the inclusion of any non-current assets directly related to driving economic benefit from the brand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Goodwill and other intangible assets continued

Assumptions in the budgets and plans include future revenue volume/price growth rates, associated future levels of marketing support, cost base of manufacture and supply and directly associated overheads. These assumptions are based on historical trends and future market expectations specific to each CGU and the markets and geographies in which each CGU operates.

Other key assumptions applied in determining value-in-use are:

- growth rates – short-term growth rates are based on the latest approved management forecasts;
- terminal growth rates, using the estimated long-term growth rate applicable for the geographies in which the CGUs operate; and
- discount rate – the discount rate uses a pre-tax Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU.

The long-term growth rates and discount rates applied in the value-in-use calculations have been set out below:

	Pre-tax Discount rate FY21	Pre-tax Discount rate FY21 (restated)*	Long-term growth rate FY22	Long-term growth rate FY21
Original Source	**8.0%**	7.1%	**1.5%**	1.7%
The Sanctuary	**8.0%**	7.7%	**1.5%**	1.7%
St Tropez	**8.0%**	7.7%	**1.5%**	1.7%
Charles Worthington	**10.1%**	8.0%	**1.5%**	1.7%
Fudge	**10.1%**	8.0%	**1.5%**	1.7%
Rafferty's Garden	**10.0%**	6.9%	**2.5%**	3.0%

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

The discount rates disclosed above are the pre-tax discount rates applied in the FY22 value-in-use calculations. For FY22, all discount rates include a size premium. For FY21, a size premium was only applied in respect of the four CGUs that make up the Beauty division (St. Tropez, Fudge, Sanctuary Spa and Charles Worthington). For the Original Source and Rafferty's Garden CGUs this therefore represents a change in the estimation approach as defined within IAS8. If this change had not been applied, the reversal of the previously recognised impairment charge in respect of Rafferty's Garden would have increased by £8.0 million. Discount rates have been used which reflect the similar geographic and product diversification within each CGU's market and the similar risks associated with each CGU. The changes in the discount rates from FY21 are driven by an increase in the pre-tax cost of debt, an increase in the risk free rates and a decrease in the country equity risk premiums. The external sources used for all three measures are consistent year on year.

Long-term growth rates have been set for each CGU based on the GDP forecast long-term growth rates for the territories in which the CGUs operate, which have been deemed an appropriate proxy for long-term growth. These CGUs operate in geographies which include the UK, Australia, the USA and central Europe.

Having performed the annual impairment tests, certain impairments have been recognised in FY22, as set out below.

For the Charles Worthington brand, the impairment tests showed a fair value of the brand of £9.6 million compared to the carrying value of £21.2 million, resulting in an impairment loss of £11.6 million. The tests were based on management's best estimate of future performance using the board approved five year plan with an overlay for the impact of inflation based on a 10% increase to costs over the period of that forecast. Sensitivity analysis on the brand indicated a reasonably possible additional downside of £2 million based on a sales decline of 4%.

For Rafferty's Garden, the impairment tests showed a fair value of £32.5 million compared to the carrying value of £24.2 million, resulting in a reversal of previously recorded impairment losses to the value of £8.5 million. The tests were based on management's best estimate of future performance using the board approved five year plan with an overlay for the impact of inflation based on a 10% increase to costs. Sensitivity analysis performed indicated that the extent of reversal would be as low as £3 million on a reasonably possible downside based on a sales decline of 2.5% or a margin decline of 1%pt.

For the remaining brands with intangible assets, namely St Tropez, Fudge, Sanctuary Spa and Original Source, the Directors do not consider that a reasonable possible change in the assumptions used to calculate the value in use of intangible assets could result in a significant reduction in headroom such that it would be indicative of impairment. In forming this conclusion the Directors reviewed a sensitivity analysis performed by management, which focused on the reasonably possible downsides of key assumptions, both individually and in reasonably possible combinations, and considered whether these reasonably possible downsides give rise to an impairment.

11. Property, plant and equipment

	Land and buildings £m	Investment property £m	Plant and machinery £m	Fixtures, fittings and vehicles £m	Assets in the course of construction £m	Total £m
Cost						
At 1 June 2020	**94.6**	**9.9**	**133.1**	**53.0**	**8.5**	**299.1**
Currency retranslation	(9.6)	(1.5)	(15.3)	(2.6)	(0.9)	(29.9)
Additions	–	–	0.5	–	6.0	6.5
Disposals	(0.2)	–	(3.3)	(1.3)	–	(4.8)
Reclassified as held for sale	(1.0)	–	(7.7)	–	–	(8.7)
Reclassification	0.1	–	5.0	0.2	(5.3)	–
Reclassification to software within intangible assets	–	–	–	–	(1.3)	(1.3)
At 31 May 2021	**83.9**	**8.4**	**112.3**	**49.3**	**7.0**	**260.9**
Currency retranslation	4.0	(0.7)	7.3	1.2	0.3	12.1
Additions	–	0.2	–	–	6.6	6.8
Disposals	(0.6)	(2.4)	0.5	(1.5)	(0.1)	(4.1)
Reclassified as held for sale	(2.0)	(1.7)	–	–	–	(3.7)
Reclassification to other fixed assets	0.7	–	4.5	3.1	(8.3)	–
Reclassification to investment property	(4.7)	4.7	–	–	–	–
At 31 May 2022	**81.3**	**8.5**	**124.6**	**52.1**	**5.5**	**272.0**
Accumulated depreciation and impairment						
At 1 June 2020	**34.1**	**0.8**	**104.2**	**47.7**	**–**	**186.8**
Currency retranslation	(2.8)	(0.1)	(11.4)	(2.3)	–	(16.6)
Charge for the year	1.4	0.1	6.9	2.6	–	11.0
Disposals	(0.1)	–	(3.2)	(1.3)	–	(4.6)
Reclassified as held for sale	(0.3)	–	(7.4)	–	–	(7.7)
Impairment loss	0.3	–	–	0.2	–	0.5
At 31 May 2021	**32.6**	**0.8**	**89.1**	**46.9**	**–**	**169.4**
Currency retranslation	1.1	–	5.6	1.0	–	7.7
Charge for the year	1.8	–	5.8	1.7	–	9.3
Disposals	(0.4)	(0.7)	0.4	(1.5)	–	(2.2)
Reclassified as held for sale	(0.4)	(0.6)	–	–	–	(1.0)
Reclassification to investment property	(1.6)	1.6	–	–	–	–
Impairment loss	3.8	–	2.1	–	–	5.9
At 31 May 2022	**36.9**	**1.1**	**103.0**	**48.1**	**–**	**189.1**
Net book values						
At 31 May 2022	44.4	7.4	21.6	4.0	5.5	82.9
At 31 May 2021	51.3	7.6	23.2	2.4	7.0	91.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Property, plant and equipment continued

Depreciation is charged to administrative expenses or cost of sales (for plant & machinery) in the Income Statement. At 31 May 2022, the Group had entered into commitments for the acquisition of property, plant and equipment amounting to £0.3 million (2021: £0.7 million). At 31 May 2022, the Group's share in the capital commitments of the joint ventures was £nil (2021: £nil).

Disposals are mainly related to the sale of a number of residential properties in Nigeria linked to the ongoing simplification project. A £15.9 million profit on disposal was recognised in adjusting items.

Impairment losses of £5.9 million in land & buildings and plant & machinery in the year related to the impairment of factory assets in Nigeria. This amount has been recognised in adjusting items in the Consolidated Income Statement within the Nigeria Simplification line item.

Impairment losses in land & buildings in the prior year were related to re-assessment of the recoverable amounts of the relevant assets immediately before the assets were classified as held for sale.

Included in the brought forward Land & Buildings balance was £1.6 million NBV relating to land in the UK. This, together with £1.1 million NBV brought forward in Investment properties relating to properties in Nigeria have been reclassified to 'Assets Held for Sale' at 31 May 2022. Further details of the assets held for sale classification are available in note 12.

The fair value of the investment properties as at 31 May 2022 is £43.7 million (2021: £25.1 million).

12. Assets held for sale

	2022 £m	2021 £m
Disposal group held for sale		
Intangible assets (note 10)	–	6.0
Property, plant and equipment (note 11)	–	0.3
Inventory	–	0.6
Employee-related accruals	–	(0.5)
Subtotal	–	6.4
Property, plant and equipment held for sale (note 11)	3.4	0.7
Total	3.4	7.1
Current assets:		
Assets held for sale	3.4	7.6
Current liabilities:		
Liabilities directly associated with assets held for sale	–	(0.5)
Total	3.4	7.1

The property, plant and equipment held for sale relates to a carried forward balance of £0.7 million regarding disused land in the UK, in addition, new items have been reclassified as held for sale during the financial year, relating to investment properties in Nigeria £1.1 million and Land Held in the UK £1.6 million.

13. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

Net investments in joint ventures include the Group's equity investment in joint ventures, long-term loans issued to joint ventures and the Group's share of the joint ventures' net assets/liabilities.

The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Long-term loans issued to joint ventures £m	Group's share of net (liabilities)/ assets of joint ventures £m	Net investments in joint ventures £m
Carrying value			
At 1 June 2020	44.4	(3.5)	40.9
Increased funding to joint ventures in year	0.1	–	0.1
Repayment of loans by joint ventures in year	(3.4)	–	(3.4)
Impairment of equity investment	–	(2.2)	(2.2)
Impact of change in JV ownership % during the period	–	(0.2)	(0.2)
Exchange differences on translation of overseas net liabilities recognised in equity	–	0.2	0.2
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	(5.9)	(1.2)	(7.1)
Recycling of exchange differences on foreign currency loans due to repayments in period	–	0.3	0.3
Share of result for the year taken to the Income Statement	–	5.6	5.6
At 31 May 2021	**35.2**	**(1.0)**	**34.2**
Exchange differences on translation of overseas net liabilities recognised in equity	–	0.5	0.5
Exchange differences on translation of foreign currency loans classified as 'permanent as equity' recognised in equity	4.4	(0.3)	4.1
Share of result for the year taken to the Income Statement	–	6.6	6.6
At 31 May 2022	39.6	5.8	45.4

At the start and the end of the prior period, the Group held investments in two joint ventures as follows:

Joint venture companies	Operation	Country of incorporation	Parent Company's interest	Registered Office address
PZ Wilmar Limited	Manufacturing	Nigeria	50%	45/47 Town Planning Way, Ilupeju, Lagos
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	50%	56 Neil Road, Singapore

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Net investments in joint ventures continued

Set out below is the summarised financial information for the Group's material joint venture, PZ Wilmar Ltd. The summarised financial information below represents amounts in the joint venture's financial statements prepared in accordance with IFRS.

PZ Wilmar Ltd	2022 £m	2021 £m
Assets		
Non-current assets	51.1	46.5
Current assets		
Cash and cash equivalents	43.4	35.1
Other current assets	67.5	50.5
	110.9	85.6
Total assets	162.0	132.1
Liabilities		
Non-current liabilities	(80.5)	(71.7)
Current liabilities	(66.8)	(59.1)
Total liabilities	(147.3)	(130.8)
Net assets	14.7	1.3

PZ Wilmar Ltd	2022 £m	2021 £m
Revenues	295.6	214.4
Profit before tax for the year	18.8	10.8
Profit after tax	12.6	8.9
Total comprehensive income	12.6	8.9

Group's share of profit after tax for the year was £6.6 million (2021: £5.6 million). This excludes exchange differences on loans from the Group which are recognised in other comprehensive income within the Group's Financial Statements.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the Consolidated Financial Statements is as follows:

PZ Wilmar Ltd	2022 £m	2021 £m
Net assets of joint venture	14.7	1.3
Proportion of Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	7.4	0.7

Information regarding joint ventures that are not individually material:

Wilmar PZ International Pte Ltd	2022 £m	2021 £m
The Group's share of profit after tax from continuing operations	–	–
The Group's share of total comprehensive income/(expense)	–	–
Carrying amount of the Group's interest in the joint venture	(1.6)	(1.7)

The long-term loans issued to joint ventures (PZ Wilmar Ltd) have been assessed for impairment in accordance with IFRS 9 'Financial Instruments'. These loans are considered to be in stage 2 as the credit risk has not increased significantly since initial recognition. The loss allowance has been measured using lifetime expected credit loss (ECL) by assessing the value in use of PZ Wilmar Ltd, and on this basis, management has concluded that no impairment of these loans is required.

The joint venture has used these funds to invest in assets and establish a business that is now generating profits and cash inflows. This cash generation has enabled the joint venture to repay some of these loans during the period.

14. Inventories

	2022 £m	2021 £m
Raw materials and consumables	27.9	22.6
Work in progress	10.0	5.1
Finished goods and goods for resale	73.9	63.4
	111.8	91.1

During the year the cost of inventories recognised as an expense, and included in cost of sales, amounted to £342.4 million (2021: £343.3 million). This included £6.9 million (2021: £6.6 million) which was charged to the Income Statement to write down slow-moving and obsolete inventories. Inventories are stated after provisions for impairment of £8.8 million (2021: £5.5 million).

15. Trade and other receivables

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. As required by IFRS 9, the Group uses the simplified approach in calculating ECLs for trade receivables and contract assets that do not contain a significant financing component. The Group has applied the practical expedient to calculate ECLs using a provision matrix. The Group has assessed that current and forward looking information does not materially affect its customers' historical default rates and, consequently, the expectation and estimation of the ECLs has not changed.

Receivables due within one year	2022 £m	2021 £m
Trade receivables	90.9	90.1
Less: provision for impairment of trade receivables	(3.9)	(4.1)
Net trade receivables	87.0	86.0
Amounts owed by joint ventures	1.7	9.5
Other receivables	11.0	10.6
Prepayments	5.3	4.6
	105.0	110.7

The Directors consider the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature.

Provisions are estimated by management based on the expected credit loss model. The creation and release of provisions for receivables is charged/credited to administrative expenses in the Income Statement. Receivables are written off when all possible routes through which amounts can be recovered have been exhausted.

Trade receivables consist of a broad cross section of the international customer base for which there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account the local market environment, customers' financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors. The credit period given on sales is mainly 30 days, but ranges from 14 to 90 days (2021: 14 to 90 days) due to the differing nature of trade receivables in the Group's geographical segments.

No other receivables have been deemed to be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Trade and other receivables continued

The following table shows the age of net trade receivables at the reporting date:

	2022 £m	2021 £m
Not past due	72.8	71.3
Past due 0–90 days	11.0	13.9
Past due 90–180 days	1.1	0.5
Past due >180 days	2.1	0.3
	87.0	86.0

The following table details the risk profile of trade receivables based on the Group's provision matrix as at 31 May 2022:

	Expected credit loss rate £m	Gross trade receivables £m	Lifetime ECL £m	Specific provisions £m	Total provision for impairment of trade receivables £m
Not past due	0.4%	74.4	0.3	1.3	1.6
Past due 0–30 days	1.1%	8.9	0.1	–	0.1
Past due 31–60 days	12.5%	1.6	0.2	–	0.2
Past due 61–90 days	11.1%	0.9	0.1	–	0.1
Past due 90–180 days	15.4%	1.3	0.2	–	0.2
Past due >180 days	38.2%	3.4	1.3	–	1.3
Legal proceedings	100.0%	0.4	0.4	–	0.4
		90.9	2.6	1.3	3.9

The following table details the risk profile of trade receivables based on the Group's provision matrix as at 31 May 2021:

	Expected credit loss rate £m	Gross trade receivables £m	Lifetime ECL £m	Specific provisions £m	Total provision for impairment of trade receivables £m
Not past due	0.41%	73.1	0.3	1.5	1.8
Past due 0-30 days	0.00%	12.0	-	-	-
Past due 31-60 days	16.7%	1.2	0.2	-	0.2
Past due 61-90 days	10.0%	1.0	0.1	-	0.1
Past due 90-180 days	16.7%	0.6	0.1	-	0.1
Past due >180 days	47.1%	1.7	0.8	0.6	1.4
Legal proceedings	100.0%	0.5	0.5	-	0.5
		90.1	2.0	2.1	4.1

Movements in the Group provision for impairment of trade receivables are as follows:

	2022 £m	2021 £m
At 1 June	(4.1)	(7.9)
Increase in provision for receivables impairment	(0.9)	(0.2)
Provision utilised during the year	0.3	0.3
Provision released during the year	0.9	2.9
Currency translation	(0.1)	0.8
At 31 May	(3.9)	(4.1)

The Group's net trade receivables are denominated in the following currencies:

	2022 £m	2021 £m
Sterling	36.3	32.1
US Dollar	12.5	11.0
Nigerian Naira	11.0	10.4
Euro	0.8	0.7
Australian Dollar	9.5	16.3
Indonesian Rupiah	12.1	11.5
Ghana Cedi	1.4	1.2
Other currencies	3.4	2.8
	87.0	86.0

16. Current asset investments

	2022 £m	2021 £m
Unlisted	0.5	0.3
	0.5	0.3

17. Cash and cash equivalents

	1 June 2021 £m	Net cash flow £m	Foreign exchange movements £m	Other* £m	31 May 2022 £m
Cash at bank and in hand	79.4	24.1	2.3	–	105.8
Short-term deposits	7.6	46.9	3.5	–	58.0
Cash and cash equivalents	87.0	71.0	5.8	–	163.8
Overdrafts	–	(0.1)	–	–	(0.1)
Net Cash and cash equivalents	87.0	70.9	5.8	–	163.7
Loans due in greater than one year	(118.0)	(56.0)	–	–	(174.0)
Current asset investments	0.3	–	–	0.2	0.5
Adjusted net debt	(30.7)	14.9	5.8	0.2	(9.8)
Lease liabilities	(11.8)	4.0	(0.5)	(8.6)	(16.9)
Net debt	(42.5)	18.9	5.3	(8.4)	(26.7)

* Other includes lease additions in FY22 and an increase in the lease liability arising from the unwinding of interest element.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Cash and cash equivalents continued

	1 June 2020 £m	Net cash flow £m	Foreign exchange movements £m	Other £m	31 May 2021 £m
Cash at bank and in hand	77.8	6.1	(4.5)	–	79.4
Short-term deposits	0.9	7.3	(0.6)	–	7.6
Cash and cash equivalents	78.7	13.4	(5.1)	–	87.0
Overdrafts	(1.2)	1.2	–	–	–
Net Cash and cash equivalents	77.5	14.6	(5.1)	–	87.0
Loans due in greater than one year	(127.0)	9.0	–	–	(118.0)
Current asset investments	0.3	–	–	–	0.3
Adjusted net debt	(49.2)	23.6	(5.1)	–	(30.7)
Lease liabilities	(13.7)	1.9	–	–	(11.8)
Net debt	(62.9)	25.5	(5.1)	–	(42.5)

* Other includes lease additions in FY22 and an increase in the lease liability arising from the unwinding of interest element.

18. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks, including market risk (arising from movements in foreign currency rates, commodity prices and interest rate risk), credit risk and liquidity risk.

Overall risk management is led by senior management and executed according to Company policy with the intention to minimise adverse impacts on the Group's financial performance through the execution of agreed risk management strategies. Management of these risks, along with the day to day management of treasury activities is performed by the Group Treasury function as defined within the Board approved policy framework.

Where appropriate, the Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives and the management of all financial risks is governed by the Group Treasury policy as approved by the Board of Directors. The Group does not enter into any financial derivative contract for trading or speculative purposes. All hedging activity is carried out by a central treasury department that hedges financial risks according to forecasts provided by the companies operating units.

The Group also enters into contracts with suppliers for its principal raw material requirements and associated input costs. Commodity and associated input and manufacturing costs such as energy are part of the Groups normal purchasing activities.

A. Market risk

In managing market risks, the Company aims to minimise the impact of short-term fluctuations on the Group's financial performance. Over the longer term, permanent changes in market rates (including both foreign exchange, commodity prices and interest rates) will have an impact on consolidated earnings.

(a)(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of Group assets, liabilities or future cash flows will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign exchange translation and transaction risks as follows:

- Foreign exchange translation risks arise due to the translation of assets and liabilities denominated in currencies other than GBP.
- Foreign exchange transaction risk occurs due to changes in the value of cash flows in a currency other than the functional currency of the operating entity.

The most significant exposures for the Company are the purchase of raw materials, stock and services purchased in U.S. Dollars and Euros. The Company's policy is to reduce this risk by using foreign exchange forward contracts which are typically designated as cashflow hedges.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For derivatives designated as cashflow hedges, the derivative covers the period of exposure from initial forecasting of the hedged item to the point of settlement.

Hedge accounting is typically applied in order to remove any timing mismatch between the hedging instrument and hedged item, with the effective portion of the change in fair value of the hedging instrument accounted for in the cash flow hedge reserve through other comprehensive income. It will be recognised in the profit and loss at the same time as the hedged item. Where hedge accounting criteria is not met, the fair value of the derivative is accounted for through the profit and loss.

The majority of the Group's assets and liabilities are denominated in the functional currency of the relevant subsidiary. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows. The amounts listed under income statement show the Group's exposure to foreign currency based on operations from entities denominated in foreign currency.

	2022			2021		
£m	Assets	Liabilities	Income Statement	Assets	Liabilities	Income Statement
Nigerian Naira	–	–	5.5	–	–	(61.4)
US Dollar	16.3	3.5	1.8	18.8	1.5	1.5
Euro	1.5	2.4	–	0.9	2.6	–
Indonesian Rupiah	–	–	8.7	–	–	8.5
Australian Dollar	0.1	–	11.6	–	–	6.6

The following table demonstrates the sensitivity to a reasonably possible change in the Nigerian Naira, US Dollar, Euro, Indonesian Rupiah and Australian Dollar exchange rates, with all other variables held constant, on the current years Group profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Groups equity (due to the change in fair value of designated hedging contracts).

		2022			2021		
£m	Change	Effect on profit before tax	Effect on assets	Effect on liabilities	Effect on profit before tax	Effect on assets	Effect on liabilities
Nigerian Naira	+5%	(0.3)	–	–	(3.1)	–	–
	–5%	0.3	–	–	3.1	–	–
US Dollar	+5%	0.1	0.8	0.2	0.1	0.9	0.1
	–5%	(0.1)	(0.8)	(0.2)	(0.1)	(0.9)	(0.1)
Euro	+5%	–	0.1	0.1	–	0.1	–
	–5%	–	(0.1)	(0.1)	–	(0.1)	–
Indonesian Rupiah	+5%	0.4	–	–	0.4	–	–
	–5%	(0.4)	–	–	(0.4)	–	–
Australian Dollar	+5%	0.6	–	–	0.3	–	–
	–5%	(0.6)	–	–	(0.3)	–	–

The Company's policy is to reduce its risk of foreign exchange movements in material operating cash flows in currencies other than the operating entity's functional currency using forward contracts designated as cash flow hedges. Forecast cash flows represent the hedged item and are subject to management assessment.

In order to qualify as a cash flow hedge, the hedging instrument must meet the requirements of IFRS9, including alignment of the critical terms between the hedging instrument and hedged item. The Group designates the forward component of forward contracts as the hedging instrument.

Hedge ineffectiveness may arise from items including changes in forecast transactions, misalignment in critical terms, or if credit dominates the relationship between hedged item and hedging instrument. There was no ineffectiveness during the reporting period in relation to the use of foreign exchange forward contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial instruments and risk management continued

The notional amounts of forward contracts outstanding as the reporting date, along with the weighted average hedge rates and average spot rates for the reporting period are shown below:

£m	2022 Notional	2022 Average rate	2022 Weighted average hedge rate	2021 Notional	2021 Average rate	2021 Weighted average hedge rate
GBP/USD	43.1	1.34	1.29	19.9	1.33	1.36
GBP/EUR	(8.3)	1.18	1.17	(7.2)	1.12	1.12
GBP/AUD	2.6	1.84	1.82	8.8	1.81	1.84
AUD/USD	(23.1)	0.73	0.73	(14.2)	0.74	0.75
AUD/GBP	(1.0)	0.54	0.57	–	0.55	–
USD/SGD	(2.0)	0.74	1.37	(0.7)	0.74	1.34
Total	11.3			6.5		

The following table shows the notional value and fair value of the foreign currency forward contracts outstanding at the end of the reporting period. Items are presented on a gross aggregate basis across counterparties.

£m	Gross notional amount	Fair value	Change in fair value
As at 31 May 2022			
Assets	66.0	0.7	(0.3)
Liabilities	(54.6)	(1.6)	(0.9)
As at 31 May 2021			
Assets	38.4	1.0	0.3
Liabilities	(31.9)	(0.7)	0.2

As at 31 May 2022, the aggregate fair value of foreign exchange forward contracts currently deferred in the cash flow hedge reserve was (£0.1 million) (2021: loss of £0.3 million). It is anticipated that the purchases will take place during the next financial year when the carrying value of hedging instruments will be recycled into the profit and loss. It is anticipated that the raw materials will be converted into inventory and sold within 12 months of purchase.

The aggregate amount under foreign exchange forward contracts taken directly to profit and loss was a loss of £0.8 million (2021: gain of £0.5 million).

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

£m	Cash flow reserve	Cost of hedging reserve
As at 1 June 2020	0.2	(0.2)
Changes in fair value of hedging instruments net of taxation	(0.6)	0.2
As at 31 May 2021	(0.4)	–
Changes in fair value of hedging instruments net of taxation	0.2	–
As at 31 May 2022	(0.2)	–

Managing interest rate benchmark reform and associated risks

As a result of the cessation of Sterling LIBOR on 31 December 2021, the Group transitioned borrowings under its existing revolving credit facility from LIBOR to SONIA, with the amendment and restatement of underlying loan documentation entered into on 12 Nov 2021.

(b)(i) Commodity pricing risk

Commodity risk is the risk that changes in underlying raw material prices have an adverse impact on the Company's financial performance.

The Group's policy is to minimise the pricing volatility accompanied by unfavourable changes in commodity prices by entering into fixed price supplier contracts in line with its commercial strategy.

The Group does not enter into any commodity derivatives.

(c)(i) Interest rate risk

Interest rate risk is the risk that a change in interest rates will have an adverse impact on the Groups financial performance. The Group is exposed to interest rate risk to the extent it enters into floating rate borrowing arrangements, and/or related interest rate hedging derivatives.

As part of the interest rate risk policy the Group previously entered into interest rate cap (financial option) on a notional principal amount of GBP75 million, in which it agreed to exchange at specified intervals, the difference between fixed and floating rate interest amounts, with a floating strike price of 1.25%. This was accounted for as a cash flow hedge with the option time value accounted for a cost of hedging. The interest rate cap expired in December 2021.

As a result of decisions taken by national regulators, GBP LIBOR and certain USD LIBOR time periods were phased out at the end of Dec 2021 and replaced by alternative reference indexes (SONIA and SOFR). Such changes have been reflected in the Group's £325 million Revolving Credit Facility.

The below sensitivity analysis has been prepared on the basis of gross debt (excluding lease liabilities) as at 31 May 2022 and demonstrates the sensitivity to a reasonably possible change in interest rates.

£m	Increase/ decrease in basis points	Effect on profit before tax
2022		
Sterling	+50	(0.9)
	+40	(0.7)
	+30	(0.5)
	+20	(0.3)
	+10	(0.2)
	-10	0.2
	-20	0.3
	-30	0.5
	-40	0.7
	-50	0.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial instruments and risk management continued

£m	Increase/ decrease in basis points	Effect on profit before tax
2021		
Sterling	+50	(0.6)
	+40	(0.5)
	+30	(0.4)
	+20	(0.2)
	+10	(0.1)
	-10	0.0
	-20	0.1
	-30	0.2
	-40	0.4
	-50	0.5

The Group's sensitivity to interest rates has increased during the current year primarily due to an increase in drawn borrowing amounts under the Group Revolving Credit Facility which in turn have been used to support the acquisition of Childs Farm together with general working capital purposes.

B. Credit risk

The Group is exposed to counterparty credit risk from its operating activities (primarily trade receivables) and from its financing activities with banks and financial institutions, including cash deposits, and the use of derivatives and other financial instruments. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets.

The Group maintains a policy on financial counterparty credit risk exposures that limits the maximum exposure on the investment of surplus cash and use of derivative instruments with reference to a minimum credit rating as maintained by Standard & Poors or Fitch, with further limits established for levels of exposure at various ratings levels.

The below table provides an overview of the net assets (liabilities) attributed to each counterparty.

£m	31 May 2022 Cash and cash equivalents and financial derivatives	31 May 2021 Cash and cash equivalents and financial derivatives
AA-	11.3	26.1
A+ to A-	26.6	87.8
BBB+ to BBB-	8.3	1.4
BB+ to BB-	116.1	2.9
B+ to B-	–	31.0
CCC+	-	-
Not rated	0.6	8.2
Total	162.9	157.4

* Ratings per S&P unless unavailable, in which case Fitch rating has been used.

The level of exposure and the credit worthiness of the Group's Banking counterparties is regularly reviewed to ensure compliance with this policy. Higher cash held with lower rated banks reflects the impact of perceived sovereign ceilings operating within those countries.

There are no significant concentrations of credit risk within the Group arising from the use of derivatives or other financial instruments.

The Group trades only with creditworthy third parties. Per Group policy, customers are subject to credit verification procedures in order to establish appropriate credit terms and trade receivable balances are monitored on an ongoing basis. The Group does not have material bad debts. Further detail of trade receivable balances is provided in note 15.

C. Liquidity risk

The Group is exposed to the risk that it is unable to meet its financial commitments as they fall due.

The Company has financial conditions, including financial covenants as part of its Group revolving Credit Facility which it must comply with in order to maintain its current level of borrowings. There have been no breaches of the covenants throughout the year or in the post balance sheet period.

The Group manages liquidity risk through the Group Treasury function, with cash flow forecasts prepared and reviewed on a monthly basis. In addition, longer term cash flow forecasts of up to 12 months are prepared as part of the Group's monthly forecasting and periodic budget cycles, with performance against free cash flow and net working capital targets monitored each month and providing longer term cash flow and net debt visibility.

The Group's net debt level can vary from month to month depending on seasonal trading patterns including the holding of inventory, timing of receipts from customer and payments to suppliers, and the timing of any capital and restructuring projects. Net debt levels as at the period end may therefore be subject to change during the reporting period.

The following table shows a maturity analysis of the contractual undiscounted cash flows prepared using forward interest rates where applicable, showing items at the earliest date on which the Company could be required to pay the liability. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the reporting date. Derivatives are presented on a notional basis in Sterling.

	31 May 2022				
£m	< 3 months	3–12 months	1–2 years	2–5 years	Total
Trade and other payables	161.8	–	–	4.5	166.3
Forward contracts sell	25.5	29.1	–	–	54.6
Forward contracts buy	(53.2)	(12.8)	–	–	(66.0)
Gross borrowings	–	–	174.0	–	174.0
Lease liabilities	0.7	2.2	1.6	12.4	16.9

	31 May 2021				
£m	< 3 months	3–12 months	1–2 years	2–5 years	Total
Trade and other payables	147.6	–	–	–	147.6
Forward contracts sell	17.5	13.6	0.8	–	31.9
Forward contracts buy	(22.4)	(15.2)	(0.8)	–	(38.4)
Gross borrowings	–	–	118.0	–	118.0
Lease liabilities	1.0	2.9	3.7	5.4	13.0

The Company has access to a Revolving credit facility of £325 million, expiring in November 2023 and which is available for general corporate purposes. As at 31 May 2022, this facility was £174 million (2021: £118 million) drawn.

In addition, the Group retains other unsecured and uncommitted facilities that are primarily used for trade related activities. As at 31 May 2022, these amounted to £252.3 million (2021: £282.7 million) of which £53.8 million, or 21% were utilised (2021: £33.1 million or 12%). As at the reporting date, there was an additional overdraft of £0.1 million as shown in Note 17.

Capital risk management

The objective of the Company when considering total capital is to protect the value of capital investments and to generate returns on shareholder funds. Total capital is defined as including loans, borrowings and equity, including derivatives used for the purposes of hedging currency and interest exposure on related loans and borrowings, but excluding the cash flow hedging reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial instruments and risk management continued

In support of its objectives, the Company may undertake actions to adjust its capital structure. Actions may include, but are not limited to, raising or prepayment of Borrowings together with related derivative instruments, issuance of additional share capital, payment of dividends or share repurchase programmes.

The Group considers Net debt (excluding lease liabilities) to be an important performance measure, on the basis that this measure forms the basis of the adjusted Net debt to adjusted EBITDA covenant in relation to the Group's Revolving Credit Facility (RCF). As at 31 May 2022 the Group had net debt of £9.8 million (2021: £30.7 million).

In 2018, the Group entered into a £325 million Revolving Credit facility with a syndicated bank group, which matures in Nov 2023. The RCF includes financial covenants customary within such an agreement, covering Interest cover (defined as ratio of EBITDA to Net Finance Charges in any reporting period) and Leverage (defined as in respect of any Relevant Period, the ratio of Total Net Debt on the last day of that Relevant Period to EBITDA in respect of that Relevant Period).

The RCF facility also includes other customary provisions relating to events of default, including non-payment of principal, interest or fees, misrepresentations, breach of covenants, creditor process, cross default to other indebtedness of the borrowers and its subsidiaries.

The Multicurrency Facility requires that a certain proportion of the Groups resources are covered via Material company obligations requiring that the aggregate EBITDA of the Guarantors (calculated on an unconsolidated basis) should be not less than 30% of the EBITDA of the Group, and the aggregate net assets of the Guarantors (calculated on an unconsolidated basis and including intercompany balances and investments in Subsidiaries of any member of the Group) were not less than 60% of the consolidated net assets of the Group.

As at the reporting date the Group was in compliance with all financial and other covenants contained in the RCF.

Categories of financial instruments

The following table shows the carrying amounts of each relevant class of financial instruments as defined in IFRS9.

Financial assets

£m	2022	2021
Total financial assets at fair value		
Derivatives designated as hedging instruments – revalued to other comprehensive income	0.4	0.1
Current asset investments	0.5	0.3
Debt instruments at amortised cost		
Trade and other receivables	98.0	96.6
Trade receivables from joint ventures	1.7	9.5
Current loans to Joint Venture	–	8.5
Long-term loans to Joint Venture	39.6	35.2
Total current	100.6	115.0
Total non-current	39.6	35.2
Total	140.2	150.2

Financial liabilities

£m	Maturity	2022	2021
Current interest-bearing loans and borrowings			
Unsecured borrowings/overdrafts	2023	0.1	–
Non-current interest-bearing loans and borrowings at amortised cost			
Senior Revolving Credit Facility	2023	174.0	118.0
Other financial liabilities fair valued through profit or loss			
Derivatives designated as hedging instruments – revalued to other comprehensive income		0.5	0.3
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		–	–
Trade and other payables		166.3	147.6
Total current		162.4	147.9
Total non-current		178.5	118.0
Total		340.9	265.9

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company utilises certain assumptions that market participations would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, market corroborated, or generally unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

Level 1: Derived from quoted prices in active markets for identical assets or liabilities;

Level 2: Derived from observable inputs other than level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; and

Level 3: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This may include pricing models, discounted cash flow or similar methodologies as well as instruments for which the determination of fair value requires significant management judgement or estimation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Financial instruments and risk management continued

There were no transfers between Level 1, 2 and 3 during the current or prior year.

The following is a description of the valuation methodologies and assumptions used for estimating the fair value of financial instruments held by the Company.

- Derivative financial instruments

There is no difference between carrying value and fair value. Fair value is calculated using observable market data where it is available and include spot rate and observable market forward points as discounted to reflect the time value of money.

The Group Treasury Team carry out a quarterly analysis that assesses movements in underlying credit rating and credit spreads of each counterparty, with any significant changes reported to management. Due to the immateriality of any required adjustment relating to credit risk, no adjustment has been made.

- Trade and other payables/receivables

The notional amount of trade and other payables/receivable are deemed to be carried at fair value, short-term and settled in cash.

- Cash and cash equivalents

The carrying value of cash and cash equivalents is deemed to equal fair value.

- Non-listed equity investments

The discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

- Interest bearing loans and liabilities

The fair value is deemed to approximate the carrying value.

19. Trade and other payables

	2022 £m	2021 £m
Trade payables	78.4	58.2
of which trade payables under vendor financing arrangements	*5.9*	*2.7*
Amounts owed to joint ventures	0.6	–
Other taxation and social security	2.1	3.3
Other payables	10.8	6.3
Accruals	72.0	83.1
Total current	163.9	150.9

	2022 £m	2021 £m
Other payables	4.5	0.3
Total non-current	4.5	0.3

Refer to note 18 for more information on financial instruments classified by category/fair value hierarchy level and management of liquidity risk. The Group has an arrangement with a bank under which the bank offers vendors the option to receive earlier payment of the Group's trade payables. Vendors utilising the financing arrangement pay a credit fee to the bank. The Group does not pay any credit fees and does not provide any additional collateral or guarantee to the bank.

Other payables include £4.0 million of current and £3.2 million of non-current liabilities for the deferred consideration in relation to the acquisition of Childs Farm. Further information is available in note 29.

20. Deferred tax

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Unremitted earnings £m	Other timing differences £m	Business combinations £m	Accruals and provisions £m	Tax losses £m	Total £m
At 1 June 2020 (restated)*	(7.0)	(5.5)	(6.9)	–	(6.4)	(33.6)	5.9	6.5	**(47.0)**
Credit to income	(3.4)	(2.4)	(0.3)	(1.9)	(3.0)	(8.2)	(0.6)	(4.3)	**(24.2)**
Charge to equity	–	2.4	–	–	1.4	–	–	–	**3.8**
Currency translation	1.0	(0.2)	1.3	–	0.7	(0.2)	(1.5)	(0.9)	**0.2**
At 31 May 2021 (restated)*	**(9.4)**	**(5.7)**	**(5.9)**	**(1.9)**	**(7.3)**	**(42.0)**	**3.8**	**1.3**	**(67.1)**
Charge / (Credit) to income	0.5	0.5	0.1	0.5	(3.0)	2.5	(0.2)	(1.5)	**(0.6)**
Charge / (Credit) to equity	–	(8.4)	–	–	(0.9)	–	–	–	**(9.3)**
Acquisition	–	–	–	–	–	(8.9)	–	–	**(8.9)**
Currency translation	(0.5)	0.2	(0.1)	–	(0.9)	(0.2)	0.2	1.0	**(0.3)**
At 31 May 2022	**(9.4)**	**(13.4)**	**(5.9)**	**(1.4)**	**(12.1)**	**(48.6)**	**3.8**	**0.8**	**(86.2)**

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

As at 31 May 2022, the Deferred tax liability of £12.1 million classified as 'Other timing differences' predominantly comprises:

- a Deferred tax liability on brands and goodwill of £6.8 million (2021: £6.3 million);
- a Deferred tax asset on share-based payments of £0.6 million (2021: nil); and,
- a Deferred tax liability on unrealised foreign exchange movements of £2.1 million (2021: £1.0 million).

Unremitted earnings may be liable to overseas withholding taxes if anticipated to be distributed as dividends. A deferred tax liability has been recognised in respect of unremitted earnings in Indonesia of £1.4 million (2021: £1.9 million). No deferred tax liability has been provided for unremitted earnings of any other Group companies overseas as these are considered indefinitely reinvested outside the UK. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totals approximately £14.3 million as at 31 May 2022 (2021: £12.7 million).

The deferred tax liability of £48.6 million categorised as 'Business Combinations' relates to intangible assets recognised on consolidation.

In accordance with IAS12, deferred tax assets and liabilities may be offset where feasible to do.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Deferred tax continued

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £m	(Restated)* 2021 £m
Deferred tax assets	4.5	5.9
Deferred tax liabilities	(90.7)	(73.0)
	(86.2)	(67.1)

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Deferred taxes have been measured at the tax rate expected to be applicable at the date such assets and liabilities are realised. All UK deferred tax items are recognised at 25%. Per the announcement made by the UK Government on the 23rd September 2022, the planned increase of Corporation tax from 19% to 25% will be abolished. In line with the Finance Act 2021, UK deferred taxes are currently shown in the Financial Statements at 25% and will be revalued to 19% in future reporting periods once this change has been enacted.

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At 31 May 2022 the Group recorded a deferred tax asset of £1.3 million on recognised but unused tax losses (2021: £1.8 million). A further £5.1 million of unrecognised tax losses (2021: £6.1 million) are not expected to expire or be disposed of, together with £14.0 million of unrecognised capital losses relating to the disposal of the five:am business.

21. Provisions

	Warranty provisions £m	VAT provision £m	Total £m
At 1 June 2020 (restated)*	**3.2**	**4.9**	**8.1**
Reclassification to retirement benefits and other long-term employee obligations (note 22)	(1.1)	–	(1.1)
Released to the Income Statement	(0.2)	–	(0.2)
Exchange differences	(0.2)	–	(0.2)
Used during the year	(1.0)	–	(1.0)
At 31 May 2021 (restated)*	**0.7**	**4.9**	**5.6**
Charged to the Income Statement	0.1	–	0.1
Exchange differences	0.1	–	0.1
Used during the year	(0.2)	–	(0.2)
At 31 May 2022	**0.7**	**4.9**	**5.6**

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

Provisions as at 31 May 2022 relate to warranty costs in the Africa Electricals division (2021: £0.7 million).
The majority of provisions are expected to be utilised in the next 12 months. The VAT provision relates to a liability for indirect taxes for one of the Group's subsidiaries. Further information is included in note 1c.

22. Retirement benefits and other long-term employee obligations

The Group operates retirement benefit schemes for most of its UK and overseas subsidiaries. Defined benefit schemes are in place in the UK and Indonesia, and associated obligations have all been measured in accordance with IAS 19 (revised).

Summary of Group retirement schemes

UK retirement benefits

The UK operates a defined contribution scheme for current employees. The UK's defined benefit schemes were closed to future accrual on 31 May 2008. The following four defined benefit schemes are the UK's main schemes:

- Main employees plan – for all historically eligible UK-based employees, excluding PZ Cussons plc Executive Directors
- Directors' plan – for PZ Cussons plc Executive Directors
- Expatriate plan – for all eligible expatriate employees based outside the UK
- Unfunded plan – unfunded unapproved retirement scheme

Current and past employees within these schemes are provided with defined benefits based on service and final salary. The assets of the schemes are administered by trustees and are held in trust funds independent of the Group. In relation to the unfunded plan, the Group made payments during the year to former Directors of £190,888 (2021: £188,388).

Overseas retirement benefits and other long-term employee obligations

Outside of the UK the Group operates a number of defined benefit and defined contribution schemes. Included within 'Overseas retirement benefits and similar obligations' below is predominantly the unfunded retirement benefit obligations relating to PZ Cussons Indonesia. Other overseas obligations benefits include specific employee-related provisions in accordance with employment law in Indonesia and Thailand. Note that previously, these other obligations were presented within note 21 'Provisions' but have been reclassified into this note in 2021 as it is considered the more appropriate place to classify these balances, as they fall within the scope of IAS 19, rather than IAS 37.

The Nigerian gratuity scheme is a defined contribution scheme that is computed based on the agreement between PZ Cussons Nigeria plc and employees of PZ Cussons Nigeria plc dated 31 December 2006. The scheme is only applicable to employees employed before 1 January 2007. The scheme is funded directly using the company's cash flow and expensed to the Income Statement appropriately.

Basis of recognition of pension scheme surplus

The trust deeds for the Directors' and Main employees plan provides the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in these two UK schemes are recognised in full.

The trust deed for the Expatriate plan provides the trustees with an unconditional right to wind up the scheme and distribute the surplus to members; therefore, the surplus on the Expatriate scheme has not been recognised in the Balance Sheet.

Summary of Group defined benefit schemes and similar obligations (as recorded on the Balance Sheet)

	2022			2021		
	Surplus £m	Deficit £m	Total £m	Surplus £m	Deficit £m	Total £m
Expatriate plan	58.8	–	58.8	53.6	–	53.6
Directors' plan	9.9	–	9.9	6.7	–	6.7
Main employees plan	59.4	–	59.4	26.9	–	26.9
Unfunded plan	–	(3.5)	(3.5)	–	(4.5)	(4.5)
Other overseas units	–	(9.6)	(9.6)	–	(8.4)	(8.4)
	128.1	(13.1)	115.0	87.2	(12.9)	74.3
Restriction due to asset ceiling	(58.8)	–	(58.8)	(53.6)	–	(53.6)
Defined benefit asset / (liability) per Group accounts	69.3	(13.1)	56.2	33.6	(12.9)	20.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Retirement benefits and other long-term employee obligations continued

UK Schemes Risk Review

The UK's main schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Risk	Description	Mitigation
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate (investment return) determined by direct reference to high quality corporate bond yields (for IAS 19 purposes) and gilt yields (for statutory funding and long-term funding purposes). If the return on Plan assets is less than these discount rates, the funding position of the Plans will fall.	As part of the financing of the funded Plans, they invest in assets with higher return expectations than lower risk bonds that are the best match for the Plans' liabilities. To control the resulting investment risk, the funded Plans invest in diversified portfolios of growth assets with the balances invested in liability-matching bond assets designed to control interest rate risk (see below). The split between growth assets and liability-matching bond assets for each funded Plan is regularly monitored to ensure investment risk is not excessive given the statutory funding assumptions and the Plans' long-term funding objectives.
Interest risk	A decrease in the corporate bond yield and/or gilt yield will increase the present value of the Plans' liabilities under the IAS 19 and statutory/long-term funding bases respectively.	The funded Plans make use of liability-driven investment techniques to protect them against the majority of the interest rate risk inherent in their liabilities. This is achieved by investing in gilts and investment grade corporate bonds such that changes in the Plans' liabilities due to falling gilt and/or corporate bond yields are offset by similar movements in the value of the Plans' overall assets. Reflecting the funded Plans' focus on controlling interest risk relative to their statutory and long-term funding bases, the Plans' liability-matching bond portfolios are predominantly invested in gilts, with the balance invested in investment grade corporate bonds to increase the expected return on the Plans' assets in a risk-controlled way. In doing so, the exposures to investment grade corporate bonds also help mitigate the interest rate risk inherent in the Plans' IAS 19 liabilities.
Inflation risk	An increase in inflation results in higher benefit increases for members, which results in higher Plan liabilities.	The Plans' liability-matching bond assets are also designed to hedge the majority of the inflation rate risk inherent in the Plans' liabilities. This is achieved by investing in index-linked gilts.
Longevity risk	The value of the Plans' liabilities are calculated by reference to the best estimate of the life expectancy of each Plan's participants. An increase in life expectancy of the Plans' participants will increase the Plans' liabilities.	To help control longevity risk all the Plans are closed to future benefit accrual. The Plans consider additional approaches to mitigating longevity risk, for example by buying annuities with an insurance company to cover the Plans' liabilities.

The movements in the year are as follows:

	Overseas retirement benefits and similar obligations £m	UK retirement benefits £m	Total £m
At 1 June 2020	(7.7)	38.4	30.7
Reclassification of balance from current provisions	(1.1)	–	(1.1)
Currency retranslation	1.0	–	1.0
Interest (expense) / income and administrative expenses	(1.7)	0.1	(1.6)
Contributions paid	–	0.2	0.2
Utilised in the year	1.2	–	1.2
Past service cost	–	(0.2)	(0.2)
Re-measurement losses	(0.1)	(9.4)	(9.5)
At 31 May 2021	(8.4)	29.1	20.7
Currency retranslation	(0.9)	–	(0.9)
Interest expense and administrative expenses	(1.5)	(0.3)	(1.8)
Contributions paid	–	0.2	0.2
Utilised in the year	0.6	–	0.6
Re-measurement gains	0.6	36.8	37.4
At 31 May 2022	(9.6)	65.8	56.2

Funding and contributions by the Group

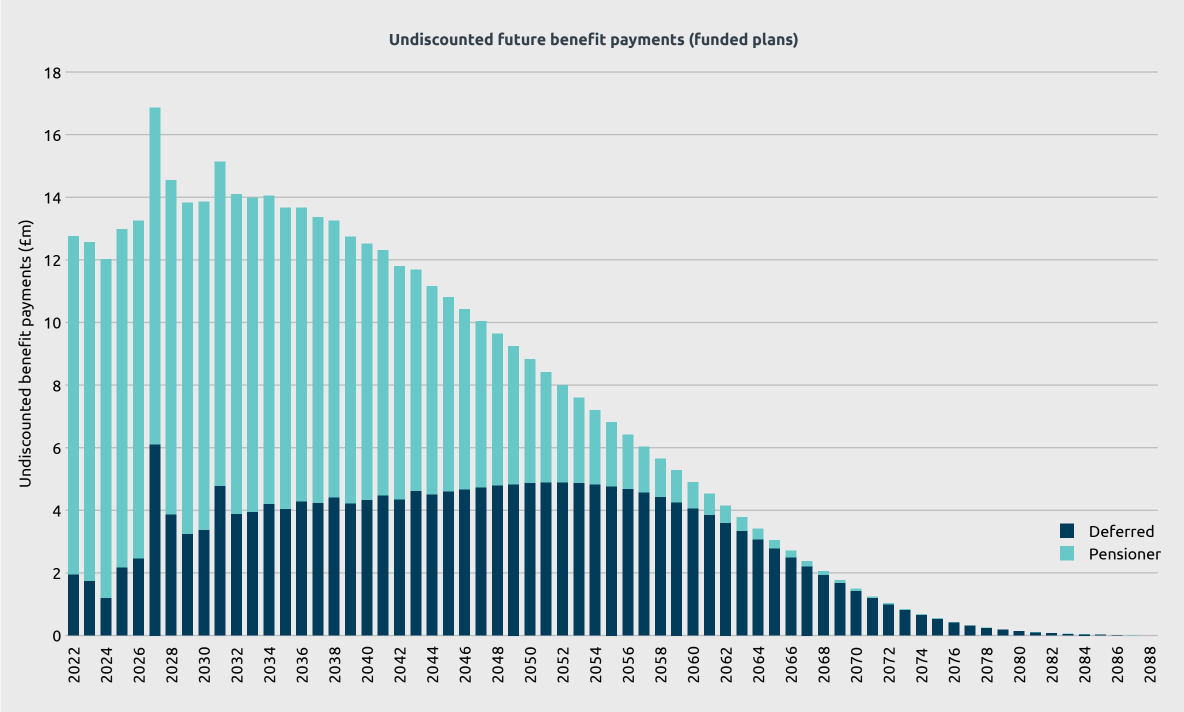
The Directors' and Expatriate plans are fully funded. During the year the employer paid £nil (2021: £nil) as a contribution towards the Main plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Retirement benefits and other long-term employee obligations continued

Maturity profile of obligation

The graph below sets out the undiscounted benefit payments that are expected to be paid from the Plans based on the data underlying the actuarial valuations as at 31 May 2022:



Notes

Data provided to us by the Trustees of each plan (PZ Cussons Retirement Benefits Plan, PZ Cussons Directors' Retirement Benefits Plan and the PZ Cussons Pension Fund and Life Assurance Scheme for Staff Employed Outside the UK).

Cashflows are in respect of the above plans only (they exclude any projected benefit payments for the EBFRS plan).

Above cashflows are based on the preliminary 31 May 2021 actuarial valuations and Trustees technical provisions assumptions.

Cashflows above are undiscounted.

Information prepared as part of Company year-end IAS 19 reporting (full details of those results are in my report dated 15 June 2022).

Overseas retirement benefits and similar obligations measurement and assumptions used

The obligations in the Indonesian post-retirement benefit scheme have been measured in accordance with IAS 19 (revised) and a discount rate of 7.75% (2021: 7.25%) and salary inflation rate of 8.0% (2021: 8.0%) have been used. The scheme is unfunded and provision for future obligations included in the above table is £8.6 million (2021: £7.5 million).

UK retirement benefits measurement and assumptions used

The last triennial actuarial valuations of the schemes administered in the UK were performed by independent professional actuaries at 1 June 2021 using the projected unit method of valuation.

For the purposes of IAS 19 (revised) the actuarial valuation as at 1 June 2018, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 May 2022. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

The key financial assumptions used by the actuary were as follows:

	2022	2021
Rate of increase in retirement benefits in payment	2.75%	3.05%
Discount rate	3.50%	1.95%
Inflation assumption	3.15%	3.20%

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	23.9	23.9
– Member age 45 (life expectancy at age 65)	25.5	25.5

Movements in the fair value of plan assets were as follows:

	Assets 2022 £m	Assets 2021 £m
1 June	416.8	439.6
Interest income	8.0	7.1
Return on plan assets (excluding interest income)	(41.7)	(12.8)
Employer contribution and direct benefit payment	0.2	0.2
Administrative expenses	(0.9)	(0.6)
Benefits paid	(14.4)	(16.7)
31 May	**368.0**	**416.8**

The assets in the schemes were:

	2022 £m	2021 £m
Equities	19.0	26.7
Bonds	329.3	356.6
Property	4.2	6.8
Cash and cash equivalents	15.5	26.7
Total fair value of scheme assets	**368.0**	**416.8**
Present value of scheme liabilities	**(243.4)**	**(334.1)**
Funded status	124.6	82.7
Restriction due to asset ceiling	(58.8)	(53.6)
Retirement benefit surplus	**65.8**	**29.1**
Related deferred tax liability	(13.4)	(5.7)
Net retirement benefit surplus	**52.4**	**23.4**

Equities and bond assets are quoted in active markets with all other assets being unquoted.

The UK scheme's investment strategy is set by the trustee after taking appropriate advice from its investment consultant. The trustee's primary objective is to invest the plan's assets in the best interest of the members and beneficiaries. Within this framework the trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various investment risks to which the plan is exposed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Retirement benefits and other long-term employee obligations continued

Reconciliation of asset ceiling

	2022 £m	2021 £m
Restriction due to asset ceiling at beginning of year	53.6	61.4
Interest on asset restriction	1.0	1.0
Other changes in asset restriction	4.2	(8.8)
Restriction due to asset ceiling at end of year	58.8	53.6

The movements documented above in relation to the restriction on the asset ceiling for the Expatriate scheme have been included when reconciling the total assets and obligations of the schemes; however they have been excluded when reconciling the opening to closing Group Balance Sheet position, as the surplus on the Expatriate scheme has been derecognised on the Balance Sheet.

Movements in the present value of the defined benefit obligations were as follows:

	Obligations 2022 £m	Obligations 2021 £m
1 June	(334.1)	(339.8)
Interest expense	(6.4)	(5.5)
Past service cost	–	(0.2)
Re-measurement gain / (loss) due to changes in demographic assumptions	2.9	(1.1)
Re-measurement loss due to changes in financial assumptions	78.9	(4.3)
Re-measurement due to experience adjustments	0.9	–
Benefits paid	14.4	16.8
31 May	(243.4)	(334.1)
Plans that are wholly or partly funded	(239.9)	(329.6)
Plans that are wholly unfunded	(3.5)	(4.5)
	(243.4)	(334.1)

The net retirement benefit income before taxation recognised in the Income Statement in respect of the defined benefit schemes is summarised as follows:

	2022 £m	2021 £m
Net interest on net defined benefit schemes	0.6	0.6
Past service cost	–	(0.2)
Administration expenses paid by the scheme	(0.9)	(0.5)
Net retirement benefit income before taxation	(0.3)	(0.1)

The above amounts are recognised in the Group's Income Statement in arriving at operating profit.

The reconciliation of the opening and closing Balance Sheet position is as follows:

	2022 £m	2021 £m
Retirement benefit surplus at beginning of year	29.1	38.4
Net pension interest income	0.6	0.6
Administration expenses paid by the scheme	(0.9)	(0.5)
Past service cost	–	(0.2)
Contributions and direct benefits paid	0.2	0.2
Re-measurement gain / (loss) due to changes in demographic assumptions	2.9	(1.1)
Re-measurement gain / (loss) due to changes in financial assumptions	78.9	(4.3)
Re-measurement due to experience adjustments	0.9	–
Changes in asset ceiling / onerous liability (excluding interest income)	(4.2)	8.8
Loss on scheme assets (excluding interest income)	(41.7)	(12.8)
Net surplus at end of year	65.8	29.1
Analysed between:		
Retirement benefit surplus	69.3	33.6
Retirement benefit obligation	(3.5)	(4.5)
	65.8	29.1

Re-measurement gains and losses are recognised directly in the Statement of Comprehensive Income.

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the UK schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	Increase of 3.6%
Rate of inflation	Increase of 0.25%	Increase of 2.9%
Rate of mortality	Decrease in life expectancy of 1 year	Increase of 4.4%

The sensitivities on the key actuarial assumptions as at the end of the year in relation to the overseas schemes were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 1.0%	Increase of 9.3%
Salary rate	Increase of 1.0%	Increase of 8.9%

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and is calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the year. The inflation sensitivity includes the impact of changes to the assumptions for the revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation.

During the year ending 31 May 2023 the Group expects to make cash contributions of £nil (2022: £nil) to funded defined benefit plans.

The amount recognised as an expense in the Consolidated Income Statement in relation to defined contribution schemes is £2.2 million (2021: £2.4 million). The amount recognised as an expense in the Consolidated Income Statement in relation to the Nigerian Gratuity Scheme is £0.5 million (2021: £0.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Share capital

	2022		2021	
	Number 000	Amount £m	Number 000	Amount £m
Allotted, issued and fully paid:				
Ordinary shares of 1p each	428,725	4.3	428,725	4.3
Total called up share capital	428,725	4.3	428,725	4.3

The Company has one class of ordinary shares which carry no right to fixed income.

24. Share-based payments

As at 31 May 2022, the Group has three long-term incentive schemes in place – the 2014 Performance Share Plan ('PSP') and the PZ Cussons Plc Long-Term Incentive Plan 2020 (the 'LTIP 2020') for main Board Executive Directors and certain key senior employees. The 2020 LTIP was agreed at the Annual General Meeting on 26 November 2020. Additionally the Group operates a deferred bonus share scheme (the 'DBSP') for Executive Directors. The Group also operates a SIP scheme which is open to UK employees.

No further awards from the 2014 PSP will be made, and the final options granted from this scheme have a vesting date in the year to 31 May 2023.

The long-term incentive awards are structured so as to align the incentives of relevant Executives with the long-term performance of the business and to motivate and retain key members of staff. The extent to which the Performance shares awards vest will depend upon the Group's performance over the three year period following the award date. The fair value of the award is taken as the share price at the grant date.

The Employee Share Option Trust (ESOT) purchases shares to fund the PSP and LTIP Schemes. As at 30 November 2021, the ESOT held 10,193,781 shares in PZ Cussons Plc at a book value of £40.0 million (May 2021: £40.0 million). The market value of these shares as at 31 May 2022 was £20.6 million (May 2021: £26.2 million).

During the year, the ESOT purchased nil shares (2020: nil). The Trust has waived any entitlement to dividends in respect of all the shares it holds. The Trust remains in place to act as a vehicle for the issuance of new shares under the PSP scheme.

Performance Share Plan including PSP and LTIP 2020 PSP elements

Executive Directors and certain senior employees are generally eligible to participate in the PSP, which provides for the grant of conditional rights to receive nil-cost shares subject to continued employment over a three-year vesting period and the satisfaction of certain performance criteria established by the Committee.

In the current year, 1,348,831 performance share awards have been granted under the LTIP 2020 scheme. Participants' awards will vest if certain targets are met, as detailed in the Remuneration Committee Report.

Restricted Share Plan

The PZ Cussons plc Long-Term Incentive Plan 2020 (the LTIP 2020) approved at the Annual General Meeting on 26 November 2020 permits a portion of the awards for senior employees, but not Executive Directors, to function like restricted stock. These share awards will vest in full subject only to continued employment with no performance conditions.

In the current year, 612,378 restricted stock shares awards were granted under the LTIP 2020 scheme.

Deferred Bonus Share Plan

This share plan is limited to the Executive Directors and transfers the annual bonus award into a share award. These share awards will vest in full subject to continued employment and no performance conditions.

In the current year, 116,730 deferred bonus share awards were granted under the scheme.

SIP Scheme

Employees can opt to make a salary deduction on a monthly basis to subscribe to shares. The company provides one matched share for each partnership share subscribed to, up to a maximum of £100 per employee per month. The matched shares are considered to be share based payments under IFRS 2. These share awards will vest in full subject to continued employment and a number of conditions associated with withdrawal.

In the year to 31 May 2022, 35,389 matched share awards were granted under the scheme.

The following tables show the options outstanding as at 31 May 2022 for each of the schemes, and the vesting date of those same options subject to the conditions related to each scheme being met.

	PSP Number	RSU Number	DBSP Number	SIP Number	Total Number
Options outstanding at 1 June 2021	3,315,616	370,947	–	–	3,686,563
Options issued during the year	1,348,831	612,378	116,730	35,389	2,113,328
Options exercised during the year	–	(28,311)	–	–	(28,311)
Options lapsed during the year	(198,100)	(104,060)	–	(1,209)	(303,369)
Options lapsed – 2014 scheme	(1,213,434)	–	–	–	(1,213,434)
Options outstanding at 31 May 2022	3,252,913	850,954	116,730	34,180	4,254,777

	PSP Number	RSU Number	DBSP Number	SIP Number	Total Number
31 May 2023	1,027,539	32,962	–	–	1,060,501
31 May 2024	1,012,725	311,732	–	–	1,324,457
31 May 2025	1,212,649	506,260	116,730	34,180	1,869,819

Fair value

The fair value of the awards granted in the period was £5.0 million (2021: £3.4 million) based on the market price at the date the units were granted. This cost is allocated over the vesting period.

The total cost allocation for all outstanding units in the period was an income statement charge of £1.5 million (2021: £0.8 million), including a true up to the cumulative cost to take into account the latest expected outcome of the performance conditions for the 2020 LTIP PSP scheme.

There were 28,311 shares exercised during the year from the Restricted Share Plan.

In the year, 1,213,434 shares belonging to the 2014 PSP scheme lapsed as the performance conditions had not been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Reconciliation of profit before tax to cash generated from operations

	2022 £m	(Restated)* 2021 £m
Profit before tax from continuing operations	65.3	71.5
Loss before tax from discontinued operations	(1.7)	(46.9)
Profit before tax	63.6	24.6
Adjustment for net finance costs	1.3	2.4
Operating profit	64.9	27.0
Depreciation (note 11 & 26)	12.8	14.3
Amortisation (note 10)	6.6	6.3
Impairment of intangible and tangible fixed assets (notes 10 & 11)	17.5	0.5
Impairment reversal on intangible fixed assets (note 10)	(8.5)	(9.8)
Impairment of equity investment in joint venture (note 13)	–	2.2
(Gain)/loss on sale of assets	(14.0)	0.4
Derecognition of capitalised costs related to cloud computing arrangements	1.0	–
Other recycling of foreign exchange losses	1.4	0.6
Difference between pension charge and cash contributions	1.1	0.5
(Profit) / loss on disposal of companies & businesses	(1.7)	40.7
Share-based payment charges	1.9	–
Share of results from joint ventures	(6.6)	(5.6)
Operating cash flows before movements in working capital	76.4	77.1
Movements in working capital:		
Inventories	(14.5)	2.2
Trade and other receivables	4.0	(5.9)
Trade and other payables	0.4	1.3
Provisions	(0.1)	(1.3)
Cash generated from operations	66.2	73.4

* The results for the year ended 31 May 2021 have been restated to reflect prior year adjustments. Further details are set out in note 1c.

26. Leases

The Group has lease contracts for various items of property, vehicles and other equipment used in its operations. Leases of property generally have lease terms between three and 12 years, while motor vehicles and other equipment generally have lease terms between one and four years.

The Group also has certain leases of vehicles with lease terms of 12 months or less and leases of equipment with low-value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings £m	Cars £m	Other equipment £m	Total £m
As at 1 June 2020	11.5	2.0	0.2	13.7
Additions	1.8	0.5	–	2.3
Depreciation	(2.4)	(0.9)	–	(3.3)
Reclassified as held for sale	(0.2)	–	–	(0.2)
Currency translation	(0.4)	(0.4)	–	(0.8)
As at 31 May 2021	**10.3**	**1.2**	**0.2**	**11.7**
Additions	5.9	1.0	1.2	8.1
Depreciation	(2.9)	(0.2)	(0.4)	(3.5)
Currency translation	0.3	0.3	–	0.6
As at 31 May 2022	13.6	2.3	1.0	16.9

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liability	Total £m
As at 1 June 2020	13.7
Additions	1.8
Accretion of interest	1.0
Payments	(4.0)
Reclassified as held for sale	(0.2)
Currency translation	(0.5)
As at 31 May 2021	**11.8**
Additions	8.1
Accretion of interest	0.5
Payments	(4.0)
Currency translation	0.5
As at 31 May 2022	16.9
Current liabilities	2.9
Non-current liabilities	14.0
Total lease liabilities	16.9

The following are the amounts recognised in profit or loss:

	2022 £m	2021 £m
Depreciation expense of right-of-use assets	3.5	3.3
Interest expense on lease liabilities	0.5	1.0
Expense relating to short-term or low-value assets	–	0.2
Total amount recognised in profit or loss	4.0	4.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Lease liabilities continued

A maturity analysis of the future lease payments in respect of the Group's lease liabilities is presented in the table below:

Payments due	2022 £m	2021 £m
Less than one year	2.9	3.1
Between one and five years	6.3	7.1
Later than five years	7.7	1.6
	16.9	11.8

27. Related party transactions

PZ Wilmar Limited and PZ Wilmar Food Limited

The following related party transactions were entered into by subsidiary companies during the year under the terms of a joint venture agreement with Singapore-based Wilmar International Limited.

- At 31 May 2022 the outstanding long-term loan balance receivable from PZ Wilmar Limited was £39.6 million (2021: £35.2 million). These receivables relate to long-term loan investments that have been made by both joint venture partners and are presented as part of the Group's net investment in its joint venture. These loans are non-interest bearing, repayable following a notice period of 12 months and not secured.
- At 31 May 2022 the outstanding current loan balance receivable from PZ Wilmar Limited was £nil (2021: £8.5 million). These loans are interest bearing, repayable on demand and not secured. The interest received on this loan in the year was £0.2 million (2021: £0.2 million).
- The value of goods purchased by the Group from PZ Wilmar Limited was £4.7 million (2021: £7.1 million).
- The value of certain services the Group sourced and then sold to PZ Wilmar Limited was £0.3 million (2021: £0.3 million). At 31 May 2022 the outstanding trade receivable balance from PZ Wilmar Limited was £1.7 million (2021: £1.0 million PZ Wilmar Limited and £nil PZ Wilmar Food Limited).

All trading balances will be settled in cash. There were no provisions for doubtful related party receivables at 31 May 2022 (2021: £nil) and no charge to the Income Statement in respect of doubtful related party receivables (2021: £nil).

PZ Foundation

The PZ Foundation is not a related party within the definition of IAS 24 or the UK Listing Rules. Neither PZ Cussons plc nor its subsidiaries have effective control or day to day management responsibilities for the PZ Foundation and the Group's support is limited to annual donations to support the Foundation's charitable works. Disclosure is made in this section on a voluntary basis in the interests of transparency. During the year contributions from the UK business to the PZ Foundation were £nil (2021: £nil). As at 31 May 2022 there were no outstanding balances with the PZ Foundation (2021: £nil).

28. Discontinued operations

On 28 August 2019, the Group entered into a sale agreement to dispose of Minerva S.A., which carried out the Group's Food & Nutrition operations in Greece as part of the Europe & the Americas regional segment. The disposal was completed on 30 September 2019, on which date control of Minerva S.A. passed to the acquirer.

As part of the sale agreement, the Group agreed to reimburse an amount of consideration, £0.8 million, if certain subsidies were not received by Minerva. This reimbursement was not provided in the previous years. The date for receipt of the grants has passed and as such, the Group has made the relevant settlements. This amount is shown in discontinued operations within the year to 31 May 2022.

Additionally a warranty claim was made against the Group within the year related to the disposal of Minerva S.A. The Group has incurred costs of £1.1 million related to this claim. This amount includes an agreed settlement, which has been paid, a further amount which has been agreed to be paid if certain events occur, which are expected to be highly likely to occur, and legal costs.

£0.2 million sundry income in the year relates to Nutricima, the assets and activities of which were disposed of in FY21. The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	31 May 2022 £m	31 May 2021 £m
Revenue	–	2.4
Sundry income	0.2	–
Expenses	(2.0)	(8.2)
Loss before tax	(1.8)	(5.8)
Taxation	–	0.5
Loss after tax incurred to date of disposal	(1.8)	(5.3)
Adjusting items (note 3)		
Costs of liquidation following disposal of Luksja	–	(0.4)
(Loss) / profit on disposal of discontinued operations	–	(40.7)
Attributable tax expenses	–	(5.2)
	(1.8)	(46.3)
Net loss attributable to discontinued operations (attributable to owners of the Company)	(1.8)	(51.6)

The cash flows that are attributable to the activities of the discontinued operations are as follows:

	31 May 2022 £m	Minerva £m	Nutricima £m	31 May 2021 £m
Net cash (used in) / generated from operating activities	(0.7)	(0.8)	0.1	(7.5)
Net cash generated from investing activities	0.1	0.1	–	16.0
Net cash (used in) financing activities	–	–	–	–
Net (decrease) / increase in cash and cash equivalents	(0.6)	(0.7)	0.1	8.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Acquisition

On 21 March 2022 the Group acquired the entire issued share capital of Tadley Holdings Limited, the parent company of Childs Farm, through its subsidiary PZ Cussons Acquisition Co Limited. Childs Farm is a leading brand in UK baby and child personal care. Subsequently, Joanna Jensen, the founder of Childs Farm, made an investment into PZ Cussons Acquisition Co Limited, such that the Group now holds a 92% interest in Childs Farm. The Group's consideration in respect of the acquisition was £36.8 million which was paid in cash.

A mechanism is in place for the Group to purchase Joanna Jensen's shareholding in two equal tranches following the end of the 31 May 2024 and 31 May 2025 financial years at a price based on a 6.62x multiple of the lower of actual Gross Profit of Childs Farm and its forecast Gross Profit, subject to a cap of £32.5 million.

In substance, the Group has reflected the acquisition as a 100% interest purchase on the basis that the mechanism in place for the Group to purchase the outstanding 8% shareholding is contractual and is in substance a deferred consideration. A liability has been recorded as part of the acquisition representing the fair value of the liability, based on the multiple above, for £7.2 million. This deferred consideration is split between current liabilities: 'other payables' of £3.2 million, and non-current liabilities: 'other payables' of £4 million on the basis of the contractual terms. The latest possible date for full settlement of the deferred consideration is 31 May 2025.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	£m
Trade and other debtors	2.7
Inventory	2.2
Property, plant and equipment	–
Brand intangible asset recognised	35.5
Trade and other creditors	(4.4)
Deferred tax assets / (liabilities)	(8.9)
Total identifiable assets acquired and liabilities assumed	27.1
Goodwill	16.8
Cash consideration	36.8
Deferred consideration	7.2
Total consideration	44.0
Net cash outflow arising on acquisition:	36.8
Cash consideration	(3.4)
Less: Cash and cash equivalent balances acquired	33.4

The fair value of the receivables is £2.3 million which is the same as the gross contractual value as the provision held against amounts expected not to be collected is immaterial.

The goodwill arising from the acquisition of £16.8 million comprises primarily of expected synergies between the acquired business and the Group and recognition of the fair value of the deferred consideration.

Childs Farm contributed £2.9 million of revenue and £0.4 million loss to the Group's operating profit for the period between the date of acquisition and the reporting date.

Acquisition related costs of £1.4 million have been recognised in the income statement in the year, disclosed within adjusting items.

30. Subsidiaries, joint ventures and non-current asset investments

Details of the Company's subsidiaries at 31 May 2022 are as follows:

Company	Operation	Country of incorporation	Parent Company's interest	Proportion of voting interest	Registered Office address
PZ Cussons (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Australia Pty Limited	Manufacturing	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons Beauty Australia (Holdings) Pty Limited	Holding company	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
Rafferty's Garden Pty Limited	Dormant	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
United Laboratories Limited	Dormant	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
PZ Cussons (New Zealand) Limited	Distribution	Australia	†100%	†100%	Building A, Level 1,15 Compark Circuit, Mulgrave, Victoria, 3170
Paterson Services (Shanghai) Limited	Dormant	China	†100%	†100%	Suite 635, 6th Floor, No.2000 Pudong Ave. China (Shanghai) Pilot Free Trade Zone
Bronson Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Milk Ventures (UK) Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (Holdings) Limited	Holding company	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International Finance) Limited	Provision of services to Group companies	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (International) Limited	Provision of services to Group companies	England	*100%	*100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons (UK) Limited	Manufacturing	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Beauty LLP	Distribution & holding partnership	England	†100%	†100%	19-20 Berners Street, London, United Kingdom, W1T 3NW
Seven Scent Limited	Manufacturing	England	†100%	†100%	Agecroft Commerce Park, Lamplight Way, Swinton, Manchester, M27 8UJ
St. Tropez Acquisition Co. Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
St. Tropez Holdings Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Thermocool Engineering Company Limited	Dormant	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Acquisition Co Limited	Holding company	England	†100%	†100%	Manchester Business Park, 3500 Aviator Way, Manchester, United Kingdom, M22 5TG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Subsidiaries, joint ventures and non-current asset investments continued

Company	Operation	Country of incorporation	Parent Company's interest	Proportion of voting interest	Registered Office address
Tadley Holdings Limited	Holding company	England	†100%	†100%	The Barn, Kestrel Court, Vyne Road, Sherborne St. John, Basingstoke, Hampshire, England, RG24 9HJ
Childs Farm Ltd	Distribution	England	†100%	†100%	The Barn, Kestrel Court, Vyne Road, Sherborne St. John, Basingstoke, Hampshire, England, RG24 9HJ
PZ Cussons Ghana Limited	Distribution	Ghana	†95.68%	†95.68%	Plot 27/3-27/7, Sanyo Road, Tema, PO Box 628
Parnon (Hong Kong) Limited	Provision of services to Group companies	Hong Kong	†100%	†100%	1/F., Hing Lung Comm. Bldg., 68-74 Bonham Strand, Sheung Wan
PZ Cussons (Hong Kong) Limited	Dormant	Hong Kong	†100%	†100%	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
PZ Cussons India PVT Limited	Provision of services to Group companies	India	†100%	†100%	604, 'C' Wing Raylon Arcade Ram Mandir Road – Kondvita Road, Bhim Nagar, Andheri East, Mumbai 400093
PT PZ Cussons Indonesia	Manufacturing	Indonesia	†100%	†100%	Jalan Halim Perdana Kusuma No. 144, Kebon Besar, Batuceper, Tangerang, Banten, Indonesia
PZ Cussons (Europe) Limited	Dormant	Ireland	†100%	†100%	The Greenway, Ardilaun Court, 112-114 St Stephen's Green, Dublin, D02 TD28, Ireland
Childs Farm Europe Ltd	Dormant	Ireland	†100%	†100%	4th Floor, 103/104 O'Connell Street, Limerick V94 AT85, Co. Limerick, Limerick, Ireland
PZ Cussons (East Africa) Limited	Manufacturing	Kenya	†99.99%	†99.99%	P.O. Box 3085 G.P.O Nairobi, Standard Street, Building: Lornho House
Food For Life Nigeria Limited	Dormant	Nigeria	†99.99%	†99.99%	45/47 Town Planning Way, Ilupeju, Lagos
Harefield Industrial Limited	Distribution	Nigeria	†99.80%	†99.80%	45/47 Town Planning Way, Ilupeju, Lagos
HPZ Limited[1]	Manufacturing	Nigeria	†74.99%	†74.99%	45/47 Town Planning Way, Ilupeju, Lagos
Nutricima Limited	Dormant	Nigeria	†100%	†100%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Nigeria PLC	Manufacturing	Nigeria	†73%	†73%	45/47 Town Planning Way, Ilupeju, Lagos
Roberts Pharmaceuticals Limited	Dormant	Nigeria	†99.99%	†99.99%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Polska SA	Distribution	Poland	†100%	†100%	Ul. Chocimska 17, 00-791 Warszawa
PZ Cussons Singapore Private Limited	Provision of services to Group companies	Singapore	†100%	†100%	5 Shenton Way, UIC Building #10-01, Singapore 068808
Guardian Holdings Company Limited	Provision of services to Group companies	Thailand	†49%	†49%	35 Moo 4, Tessamphan Road, Ban Chang Sub-District, Mueang Pathum Thani District, Pathum Thani Province
PZ Cussons (Thailand) Limited	Manufacturing	Thailand	†99.99%	†99.99%	35 Moo 4, Tessamphan Road, Ban Chang Sub-District, Mueang Pathum Thani District, Pathum Thani Province

† Shares held by a subsidiary.

Company	Operation	Country of incorporation	Parent Company's interest	Proportion of voting interest	Registered Office address
PZ Cussons Middle East and South Asia FZE	Dormant	UAE	†100%	†100%	PO Box 17233, Jebel Ali, Dubai
St. Tropez Inc.	Distribution	USA	†100%	†100%	140 Broadway, Suite 2240, New York NY 10005
Childs Farm, Inc.	Dormant	USA	†100%	†100%	251 Little Falls Drive Wilmington, DE 19808

[1] HPZ Limited is 74.99% owned by PZ Cussons Nigeria PLC and is therefore consolidated.

* Shares held by the Parent Company.

† Shares held by a subsidiary.

Joint venture companies	Operation	Country of incorporation	Parent Company's interest	Registered Office address
PZ Wilmar Limited	Manufacturing	Nigeria	†50%	45/47 Town Planning Way, Ilupeju, Lagos
Wilmar PZ International Pte Limited	Provision of services to joint venture companies	Singapore	†50%	28 Biopolis Road, Singapore 138568

† Shares held by a subsidiary.

All subsidiary entities have a year end of 31 May.

31. Events after the reporting period

There are no material post balance sheet events since the year end date.

COMPANY BALANCE SHEET

	Notes	31 May 2022 £m	31 May 2021 £m
Non-current assets			
Investments	4	88.7	88.7
Debtors – amounts owed by subsidiary companies	5	99.0	89.9
		187.7	178.6
Current assets			
Debtors	5	84.7	69.1
Investments		0.5	0.3
Cash at bank and in hand		0.4	0.5
		85.6	69.9
Current liabilities	6	(4.3)	(6.0)
Net current assets		81.3	63.9
Total assets less current liabilities		269.0	242.5
Non-current liabilities		(174.0)	(118.0)
Net assets		95.0	124.5
Capital and reserves			
Called up share capital	7	4.3	4.3
Capital redemption reserve		0.7	0.7
Hedging reserve		–	(0.1)
Other reserve		(40.0)	(40.0)
Profit and loss account		130.0	159.6
Total shareholders' funds		95.0	124.5

PZ Cussons plc reported a loss for the financial year ended 31 May 2022 of £4.1 million (2021: £4.7 million loss).

The Financial Statements from pages 166 to 243 were approved by the Board of Directors and authorised for issue.

They were signed on its behalf by:

J Myers
28 September 2022

S Pollard
28 September 2022

PZ Cussons plc
Registered number 00019457

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Called up share capital £m	Capital redemption reserve £m	Cash flow Hedge & Hedging reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 1 June 2020		4.3	0.7	(0.3)	(40.0)	188.6	153.3
Loss for the year		–	–	–	–	(4.7)	(4.7)
Cash flow hedge reserve movement		–	–	0.2	–	–	0.2
Ordinary dividends	3	–	–	–	–	(24.3)	(24.3)
At 31 May 2021		4.3	0.7	(0.1)	(40.0)	159.6	124.5
Loss for the year		–	–	–	–	(4.1)	(4.1)
Cash flow hedge reserve movement		–	–	0.1	–	–	0.1
Ordinary dividends	3	–	–	–	–	(25.5)	(25.5)
At 31 May 2022		4.3	0.7	–	(40.0)	130.0	95.0

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The Company Financial Statements of PZ Cussons plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Parent Company is not presented with these Financial Statements. The retained profit of the Parent Company is shown in the Statement of Changes in Equity. Details of dividends paid are included in note 8 of the Consolidated Financial Statements.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its Financial Statements are consolidated into the Group Financial Statements of PZ Cussons plc which are included within this Annual Report.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed within the Group Financial Statements of PZ Cussons plc.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based Payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16, 'Property, Plant and Equipment'; and
  - (iii) paragraph 118(e) of IAS 38, 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of Cash Flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related Party Disclosures' (key management compensation)
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group

a) New and amended standards adopted by the Company

There are no new accounting standards applicable to the Company for this reporting period.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

No standards, amendments or interpretations that are not yet effective and have not been early adopted are expected to have an impact on the Company's financial statements.

c) Foreign currencies

Assets and liabilities are translated at exchange rates prevailing at the date of the Company Balance Sheet. Exchange gains or losses are recognised in the profit and loss account. The Company's functional currency is Sterling as this is the functional currency of the principal operating environment of the Company. The Company Financial Statements have been presented in Sterling and have been rounded to £0.1 of a million.

d) Current tax

The current tax liability/asset directly relates to the actual tax payable/receivable on the Company's profits and is determined based on tax laws and regulations in effect at the year-end date. Assumptions and judgements are made in applying these laws to the taxable profits in any given period to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the profit and loss account in the period in which it is determined.

e) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities on a net basis.

f) Financial instruments

Financial assets and financial liabilities are recognised on the Company Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments utilised by the Company during the years ended 31 May 2022 and 31 May 2021, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

Current asset investments

The discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

Current assets and liabilities

Financial instruments included within current assets and liabilities are generally short-term in nature and accordingly their fair values approximate to their book values.

Classification and measurement of financial instruments

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

g) Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the year in which they arise.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

h) Intercompany debtors

Intercompany debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment based on an expected credit loss model. A provision for impairment of intercompany debtors is established when there is a significant increase in credit risk since initial recognition that the Company will not be able to collect all amounts due according to the original terms of the debtors and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired intercompany debtors are recognised as a credit to profit.

i) Intercompany creditors

Intercompany creditors are not interest-bearing, repayable on demand and are initially stated at fair value and subsequently measured at amortised cost.

j) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

k) Share capital

The Company is limited by shares and the ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

l) Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investment in subsidiaries are adjusted to reflect this capital contribution.

The carrying amounts of the Company's investments are reviewed annually to determine whether there is any indicator of impairment. If any such indicator exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or its value-in-use.

An impairment loss is recognised whenever the carrying amount of the investment, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

An impairment loss is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

m) Borrowing costs

Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

n) Own shares held by the ESOT

Transactions of the Company-sponsored Employee Share Option Trust (ESOT) are treated as being those of the Company and are therefore reflected in the Company's Financial Statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

o) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends these are recognised once paid.

p) Share based payments

The Company operates a Performance Share Plan for senior executives, which involves equity-settled share-based payments.

The awards under the Performance Share Plan are measured at the fair value at the date of grant and are expensed over the period to which the performance relates based on the expected outcome of the vesting conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

q) Critical accounting policies and key sources of estimation uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results.

In the course of preparing the Company's Financial Statements, no key source of estimation uncertainty has been identified. The critical judgements required when preparing the Company's Financial Statements are as follows:

Carrying value of investments in subsidiaries

Annually the Directors consider whether there are any indicators of impairment that may suggest that the recoverable amount of the Company's investments in subsidiaries is less than their carrying amount. The assessment of impairment indicators requires management to apply judgement in assessing current and forecast trading performance as well as assessing the impact of principal risks and uncertainties specific to the investments it holds. Details of the Company's investments are set out in note 4 and in the current year the Directors have concluded that no indicators of impairment existed.

2. Directors' emoluments

	2022 £m	2021 £m
Aggregate amount of Directors' emoluments	2.2	1.5
Emoluments of the highest paid Director	1.0	0.7

For the year ended 31 May 2022 the highest paid Director received Company pension contributions of £0.06 million (2021: £0.1 million).

Additional information on Directors' emoluments, including details of gains or losses made on the exercise of share options in the year and the Directors' interests in the Group have been included in the Report on Directors' Remuneration on pages 132 to 143.

The Directors are employed by the Company. The Directors of the company only are different to the Directors of the group.

3. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2021 of 3.33p (2020: 3.13p) per ordinary share	14.3	13.1
Interim dividend for the year ended 31 May 2022 of 2.60p (2021: 2.67p) per ordinary share	11.2	11.2
	25.5	24.3
Proposed final dividend for the year ended 31 May 2022 of 3.73p (2021: 3.42p) per ordinary share	15.6	14.3

The proposed final dividends for the years ended 31 May 2021 and 31 May 2022 were/are subject to approval by shareholders at the Annual General Meeting and hence have not been included as liabilities in the Financial Statements at 31 May 2021 and 31 May 2022 respectively.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investments in subsidiaries

	Shares £m	Loans £m	Total £m
Cost at 1 June 2020	88.7	–	88.7
Cost and net book value at 31 May 2021	88.7	–	88.7
Cost and net book value at 31 May 2022	88.7	–	88.7

Details of the Company's direct subsidiaries at 31 May 2022 are shown below. For a full listing of all subsidiaries see note 30 in the Group's Consolidated Financial Statements.

Subsidiary companies	Operation	Country of incorporation	Parent Company's interest	Proportion of voting interest
PZ Cussons (Holdings) Limited	Holding company	England	100%	100%
PZ Cussons (International) Limited	Provision of services to Group companies	England	100%	100%

5. Debtors

	2022 £m	2021 £m
Non-current – debtors		
Amounts owed by Group companies	99.0	89.9
Current – debtors		
Amounts owed by Group companies	80.3	65.2
Other receivables	4.4	3.9
	183.7	159.0

£179.3 million (2021: £155.1 million) of amounts owed by Group companies. The Company is currently the sole borrower on the Group RCF facility with all external amounts borrowed being lent on to other Group companies, with interest charged matching the external interest liability. £nil (2021: £nil) of amounts owed by Group companies are non-interest bearing. All of the balances are unsecured and are repayable on demand. Although amounts are repayable on demand, for the amounts classified as non current there is no expectation that entire amounts would be repaid within 12 months and therefore do not meet the criteria to be classified as current assets.

6. Creditors

Due within one year	2022 £m	2021 £m
Amounts owed to Group companies	4.1	5.8
Accruals	0.2	0.2
	4.3	6.0
Due in greater than one year		
Bank loans	174.0	118.0
	174.0	118.0

£nil (2021: £nil) of amounts owed to Group companies are interest bearing. Amounts owed to Group companies are unsecured and have no fixed date of repayment.

Financial instruments and risk management

The Company is exposed to financial risks arising from changes in interest rates. Other financial risks are not considered significant.

The financial instruments held by the Company do not, either individually or as a class, create a potentially significant exposure to market, credit, liquidity or cash flow interest rate risk.

7. Called up share capital

Allotted, called up and fully paid:	2022 Number 000	2022 Amount £m	2021 Number 000	2021 Amount £m
Ordinary shares:				
Ordinary shares of 1p each	428,725	4.3	428,725	4.3
Total called up share capital	428,725	4.3	428,725	4.3

8. Contingent liabilities and guarantees

The Company is one of a group of guarantors, including other Group companies, to a borrowing facility relating to loans provided to certain Group UK entities. The amount borrowed under this agreement at 31 May 2022 was £174.0 million (2021: £118.0 million).

9. Events after the reporting period

There are no material post balance sheet events since the year end date.

INTRODUCING OUR VALUES

PZ Cussons people aspire to be our BEST

BOLD

ENERGETIC

STRIVING

TOGETHER

See our Values / Page 18

OUR **SHARED CULTURE** BRINGS US

TOGETHER

ONE FAMILY, MANY VOICES; SUPPORTED, INCLUDED, RESPECTFUL, EMPOWERED, AND WITH JOY IN WHAT WE DO

Our **TOGETHER** value in action:

WE ARE TOGETHER AND IT GIVES US STRENGTH

- powering our pioneering spirit
- helping each other unleash potential
- innovating and exciting, sharing and celebrating

ADDITIONAL INFORMATION

GLOSSARY

Term	Definition
Adjusting Items	Cash, short-term deposits and current asset investments, less bank overdrafts and borrowings. Excludes IFRS 16 lease liabilities
B Corp	A B Corp is a company that has been certified by the non-profit organisation B Lab as meeting rigorous standards of environmental, social and governance performance, accountability and transparency.
Brand Investment	An operating cost related to our investment in brands (previously 'Media & Consumer')
Employee wellbeing	% score based upon a set of questions within our annual survey of employees
Free cash flow	Cash generated from operations less capital expenditure
Free cash flow conversion	Free cash flow as a % of adjusted EBITDA from continuing operations
Like-for-like ('LFL')	Growth on the prior year, adjusting for constant currency and excluding the impact of disposals and acquisitions
Must Win Brands	The brands in which we place greater investment and focus. They comprise: Carex, Childs Farm (acquired in March 2022), Cussons Baby, Joy, Morning Fresh, Original Source, Premier, Sanctuary Spa and St Tropez
Portfolio Brands	The brands we operate which are not Must Win Brands
PZ Cussons Growth Wheel	Our 'repeatable model' for driving commercial execution, comprising 'Consumability', 'Attractiveness', 'Shoppability' and 'Memorability''
Revenue Growth Management	Maximising revenue through ensuring optimised price points across customers and channels and across different product sizes
SKUs	Stock keeping unit
Through the line	Marketing campaign incorporating both mass reach and targeted activity

FURTHER STATUTORY AND OTHER INFORMATION

Shareholder information and contacts

Annual General Meeting

The Annual General Meeting will be held at 10:30am on 24 November 2022 at: 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

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www.pzcussons.com

Registered number

Company registration number – 00019457

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Company Secretary

Kevin Massie

Cautionary note regarding forward-looking statements

This report contains certain forward-looking statements relating to expected or anticipated results, performance or events. Such statements are subject to normal risks associated with the uncertainties in our business, supply chain and consumer demand along with risks associated with macro-economic, political and social factors in the markets in which we operate. Whilst we believe that the expectations reflected herein are reasonable based on the information we have as at the date of this announcement, actual outcomes may vary significantly owing to factors outside the control of the PZ Cussons Group, such as cost of materials or demand for our products, or within our control such as our investment decisions, allocation of resources or changes to our plans or strategy. The PZ Cussons Group expressly disclaims any obligation to revise forward-looking statements made in this or other announcements to reflect changes in our expectations or circumstances. No reliance may be placed on the forward-looking statements contained within this announcement.

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