BUILDING BRANDS FOR LIFE. TODAY AND FOR FUTURE GENERATIONS.

PZ Cussons plc / Annual Report and Accounts 2023

FOR EVERYONE, FOR LIFE, FOR GOOD.

Performance Highlights

We have made further progress against key financial and non-financial measures against a backdrop of challenging trading conditions.

Revenue
(£million)

£656.3m

2023	**£656.3m**
2022	£592.8m
2021	£603.3m

Statutory operating profit margin
(%)

9.1%

2023	**9.1%**
2022	11.1%
2021	12.1%

Adjusted basic earnings per share from continuing operations (p)[2]

11.23p

2023	**11.23p**
2022*	12.57p
2021*	12.98p

LFL revenue growth[1]
(%)

6.1%

2023	**6.1%**
2022	2.9%
2021	7.1%

Adjusted net cash/(debt)[1]
(£million)

£5.7m

2023	**£5.7m**
2022	£(9.8)m
2021	£(30.7)m

Statutory basic earnings per share for continuing operations (p)

8.70p

2023	**8.70p**
2022*	11.88p
2021*	9.94p

Adjusted operating profit margin[2]
(%)

11.2%

2023	**11.2%**
2022*	11.3%
2021*	11.6%

Dividend per share
(p)

6.40p

2023	**6.40p**
2022	6.40p
2021	6.09p

See Key Performance Indicators / Page 49

1 Definitions of key terms are set out in the Glossary on page 222.
2 Further details on adjusting items are set out in note 3 on page 171.
* Certain figures for each of the years ended 31 May 2021 and 31 May 2022 have been restated. Refer to note 1 (c) of the consolidated financial statements for details.

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www.pzcussons.com/investors

Our strategy in action

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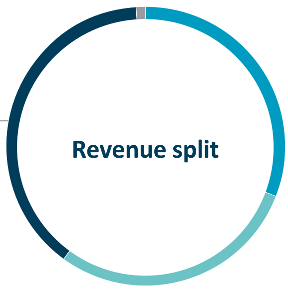
How we report

We currently report the activities of our business across four operational segments, described right:

Europe & the Americas	31%
Asia Pacific	29%
Africa	39%
Central	1%



A Word from our Chair

DEAR SHAREHOLDER,

I am very pleased to present the Annual Report for the year ending 31 May 2023 for PZ Cussons especially as it is my first as Chair. On behalf of the Board of Directors, I want to pay tribute to Caroline Silver, my predecessor, for her very significant contribution to the Company during her nine years on the Board. I would like to thank her for everything she did on behalf of all the stakeholders in our business, and to wish her every success in her future business activities.

I would also like to thank Dariusz Kucz who decided to stand down from the Board in September 2023 after five successful years as a Non-Executive Director.

In the ten months since I joined the Board, I have learned a great deal about the history and culture of the Company and the opportunities and challenges that lie ahead of us. I would like to express my appreciation to everyone in the business who has been so welcoming to me on my arrival and so helpful in furthering my understanding of the Company.

Given the external economic and political backdrop which has presented us with challenges and uncertainties, we are pleased to have been able to record a growth in our adjusted profit before tax (up 12.6% to £74.1 million) and that we limited the decline in our earnings per share to 10.7% given the impact of a higher effective tax rate and higher minority interest costs.

It is important to record a note of caution at this point. These results are calculated using the average exchange rates applicable during our financial year ending 31 May 2023. However, the value of the Nigerian currency, the Naira, fell very substantially indeed in June 2023 after the new Nigerian Government announced that it would allow the currency to find its natural rate in the markets rather than being based on the previous exchange rate which was set by the Central Bank in Nigeria.

Our Nigerian business is a very significant part of PZ Cussons, and so this will have a material impact on future results given that the fall in the value of the currency has been about 40% compared to the rate used in the Financial Statements in this Annual Report and Accounts.

To illustrate this, if our profits in the year to 31 May 2023 had been translated to Sterling at the average Naira exchange rate over the two-month period from 1 July to 31 August 2023, the Group's adjusted operating profit would have been £58.6 million – a reduction of £14.7 million on the reported figure. In our trading statement dated 27 June 2023, we noted that this will adversely affect our FY24 profits and that it has significantly reduced the value of the cash held within Nigeria. As a result of the devaluation, the Board has also deemed it prudent not to increase the level of the Final dividend to be paid in November.

While this suite of economic reforms is having a negative impact on near-term reported financial performance, we believe the medium to long-term prospects for our Nigerian business are much improved on the assumption that the Government there maintains its new approach.

Turning to the Group as a whole, we have invested in the last year in building our brands for the long-term, both in our existing markets and by entering into a number of new markets and categories. For example, we have launched an auto dishwashing product in Australia under our Morning Fresh brand and we are now marketing our Original Source brand in Spain. The latter represents the first major launch by our newly-established Business Development team which is tasked with growing our brands geographically.

There has been a good deal of focus on the performance of Childs Farm under our ownership following its acquisition in March 2022 – the first by PZ Cussons in eight years. We are pleased with the progress that has been made in growing its revenues as we have launched innovative products and begun to expand internationally. The learnings from the purchase will be carefully considered before we commit ourselves to any future acquisitions.

At the same time, we have continued to make good progress against our sustainability targets with sustainability issues increasingly incorporated into day-to-day commercial considerations. I would particularly emphasise our continuing reduction in plastic usage with innovations such as the Carex refill pouch in the UK and the Morning Fresh Bottle for Life in Australia. Our overall plastic consumption reduced further in FY23 and is now down 7.8% compared to the 2021 baseline. Furthermore, for the first time, nearly all of the paper used in our packaging in the year was either recycled or certified – a major step forward by management.

In the years ahead, I look forward to supporting the Executive Leadership team in maximising the potential of PZ Cussons and in delivering value for all stakeholders. We will focus on building brands and serving consumers better, while building capabilities and reducing complexity in the business. I am confident that this approach will position us well for the future especially as it is in the hands of our talented and passionate executive team.

I would like to draw your attention to the Remuneration Committee's Report in which we propose a new Remuneration Policy. We recognise the importance of aligning executive remuneration with the long-term interests of our shareholders. So, after consulting with a number of key investors, we have simplified our approach significantly, with long-term remuneration incentives based on restricted shares. We believe this will better align our Executive Directors and senior management team with the creation of shareholder value. I would like to thank shareholders who took part in the consultation for their consideration and feedback.

In closing, on behalf of the Board, I would like to express our sincere thanks to all of our colleagues wherever located in the world for their skill and hard work during the course of the last year. Equally, I want to thank our customers, suppliers, shareholders and other stakeholders for their partnership and trust in PZ Cussons.

David Tyler
Chair

Q: When did you first come across PZ Cussons and what attracted you to the role?

A: Like many people, I first came across the products which PZ Cussons sells as a child when using Imperial Leather soap in the home of my grandparents. Then, in 1975, when a graduate trainee at Unilever and reviewing the competitive environment, I became interested from a professional capacity in the Company for the first time when the merger took place between the two businesses of Paterson Zochonis and Cussons. I have kept an eye on PZ Cussons ever since and have long felt that the business had not fully captured the opportunity to build valuable brands with underlying consumer recognition in the way that a number of its peers had.

Since then, I have worked for a number of other listed and non-listed businesses, mainly across the broader consumer sector, allowing me to gain some understanding of the opportunities and issues across a range of sectors. However, I am delighted now to be returning to my 'first love' of fast-moving consumer goods, which was where it all started for me.

Prior to joining, I had met several members of the Board and Executive Leadership Team and I was very impressed with what I saw. Here was a group of ambitious individuals who understand how the industry works, having been schooled at formidable blue-chip companies. So, I am very pleased to have joined PZ Cussons at such an exciting moment in its history.

Q: What have been your first impressions of the business?

A: Since joining the Board in November 2022, I have met with many colleagues and shareholders to understand the business better and gain first-hand feedback.

There is a great deal of excitement within the business regarding its potential and the changes that are taking place. It is very refreshing to witness this buzz. Very often, half the challenge with the kind of strategic change that is under way at PZ Cussons is gaining the backing of colleagues. This is not an issue here. I believe their enthusiasm and drive will be key in successfully ensuring transformation across the business, allowing us to harness the full potential of PZ Cussons.

Q: Do you envisage any changes to the PZ Cussons strategy?

A: Any Board in our industry must continually assess the growth characteristics of its markets and its own competitive position. 'Change' is the only constant, as they say. So, our areas of strategic focus will naturally evolve as circumstances change and as we assess whether we are following the best routes to achieve our objectives.

The business' priority since Jonathan became CEO has rightly been around addressing legacy issues and building the foundations of what is to follow. Of course, more can be done, but I think the business is well-placed to transform itself over the coming years. We will focus on our investment in building brands, prioritising where and how shareholder money is spent – by geography and by category.

Q: What do you want to achieve over the coming years at PZ Cussons?

A: I am focused on creating value – not just for our shareholders but for our many other stakeholders. I see significant opportunities for the business over the coming years and want to help the management team maximise their chances of success in capturing these.

Q: What are you most looking forward to in your role?

A: I am looking forward to meeting and working with colleagues from around the company. I have already spent a good deal of time with our UK business and I have visited Nigeria to be introduced to our activities there. Over the coming weeks, I also have market visits planned to Indonesia and to Australia.

More broadly, I am very much looking forward to those big moments where we see demonstrable progress against the strategy, whether that is an innovative new product launch, expansion into new markets, an uptick in our profitability, or hitting our sustainability targets. I anticipate that will be more of these big moments over the next few years, and I am very enthusiastic about working with the management team to achieve this acceleration. All of these successes will be a result of the skills and hard work of colleagues. My job is to support them.

PZ Cussons at a Glance

WE ARE A BRANDED CONSUMER GOODS BUSINESS.

With nearly 140 years of heritage, we employ over 2,600 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.

£656.3m
revenue in FY23

nearly 140 yrs
of heritage

6.1%
LFL revenue growth in FY23

3
core categories

2,600+
employees

4
priority markets

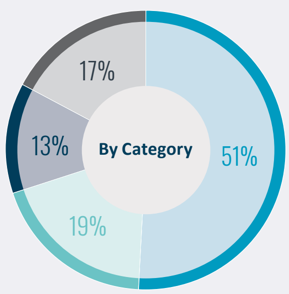
MUST WIN BRANDS (48% OF FY23 REVENUE)[1]

- Competitive brand investment levels
- Strong innovation pipeline
- Focus for commercial capabilities
- Validated, repeatable growth wheel
- Robust and regular management review.

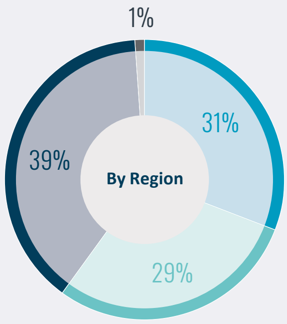
PORTFOLIO BRANDS (52% OF FY23 REVENUE)[1]

- Brilliant execution
- Clear role for each brand
- Resources tailored to specific role
- Incubator support for brands with further potential.

FY23 REVENUE SPLIT



- Hygiene
- Baby
- Beauty
- Other



- Europe & the Americas
- APAC
- Africa
- Central

1 Excluding Group central revenue.

Our Investment Story

PZ CUSSONS ALLOWS INVESTORS TO CAPITALISE ON ATTRACTIVE MARKET TRENDS IN THE CONSUMER GOODS SECTOR, PARTICULARLY IN THE EMERGING MARKETS OF ASIA AND AFRICA.

With leading brands and renewed clarity on 'where to play' and 'how to win' choices, we are transforming our business through focused investment and simplification. Our actions will build a higher growth, higher margin, simpler and more sustainable business.

1. Portfolio of leading brands

Our brands typically lead in our chosen markets and categories, frequently outperforming the brand of our global competitors and private label.

Carex	Morning Fresh	Premier	St.Tropez
#1 in Hand Hygiene	#1 in Manual Dishwash	#1 in Family Soaps	#1 in Prestige Tanning

2. Exposure to rapidly growing categories and markets

We operate in attractive categories of Hygiene, Baby and Beauty. We have a unique presence in rapidly growing emerging markets and, with our multi-local presence, believe we are better placed to understand customer, consumer and market dynamics than our peers.

Nigeria
400m
people by 2050 = 3rd most populous country globally (217m today)

Indonesia
12%
annual growth in Baby personal care market[1]

12m
babies born, in total, in Nigeria and Indonesia annually

3. Clear strategy to transform the business

In support of our brand-building, we are investing in foundational capabilities fuelled by simplifying the portfolio and operations; this creates both near-term and long-term opportunities for profitability improvements.

4. A strengthened management team

We have a largely new Executive Leadership Team, composed of individuals who, together, have decades of blue-chip FMCG experience. Our teams are constantly raising the bar on improved performance and culture.

5. Strong balance sheet and financial discipline

Our strong balance sheet allows us to take advantage of inorganic opportunities.

Sources:
Market positions for Carex, Morning Fresh and Premier are based on Nielsen. St. Tropez is based on Circana Population and birth rates data are from Statista and worldpopulationview.com
1 Euromonitor, 2021-26.

The Year in Review

JUN 2022

New award-winning campaigns for iconic brands

Imperial Leather's Overindulge Yourself campaign, the first in seven years, reconnected with the brand's heritage and appealed to consumers seeking everyday indulgence. Our Born for the Hustle TV ad in the UK was voted Ad of the Week by The Grocer. Sanctuary Spa was relaunched with new packaging and product ranges, such as shower oils and scrubs, demonstrating the value offered to consumers seeking a spa experience at home.

Read more on **page 19**

JUN 2022

Responding to cost-of-living pressures

We have been working to respond to cost-of-living pressures across all markets by introducing new products and pack sizes (for example, our 55ml Cussons Baby offer), launching Cussons Creations in the UK and Sanctuary Spa refills with reduced plastic, as well as considering consumer price points.

Read more on **page 20**

APR–JUL 2023

Executive Leadership Team

We have continued strengthening our Executive Leadership Team with internal promotions for Managing Directors of our Africa and Indonesia businesses and the appointment of a new Chief People Officer and Chief Information Officer.

Read more on **page 22**

APR 2023

New product development

Morning Fresh, Australia's number one washing-up liquid brand, advanced into the fast-growing auto dishwash category. St. Tropez launched Luxe Serum, which adds premium skincare benefits to the self-tan core proposition. This was an opportunity to reunite with our brand ambassador Ashley Graham and use a 'digital-first' activation approach in the US.

Read more on **page 53**

JUN 2023

Entering new markets

Childs Farm launched into the US market following a successful first year in our Group. The team also went live with their first TV advertisement across all ITV regions in the UK. We launched Original Source, a category leader in the bath and shower sector, into the Spanish market for the first time. The sector in Spain is worth over €300 million and is Europe's third-largest bath and shower gel market. The move follows the brand's successful expansion into markets including Germany and South Africa.

Read more on **page 19**

Linking to our strategic objectives

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

OCT 2022

Future ready

In October, we hosted our first Future Ready leadership conference, bringing together external speakers and senior leaders from across the Group to explore macro trends and business priorities.

Read more on **page 25**

NOV 2022

PZ Cussons Board

David Tyler was announced as Non-Executive Director and was appointed Chair of the Board of Directors following the expiry of the term of office of Caroline Silver in March 2023.

Q&A with David on **page 03**

NOV 2022

Better for all credit facility

Demonstrating our commitment to embed our new sustainability framework, Better For All, into all parts of our business, we agreed a new and innovative £325 million credit facility incorporating environmental and social impact (ES) linked Key Performance Indicators (KPIs).

Read more on **page 187**

FEB 2023

Childs Farm SlumberTime

Childs Farm launched SlumberTime, the first new product development since the brand joined the PZ Cussons Group in March 2022. To strengthen the launch, we established a partnership with Vogue Williams, TV presenter and mum of three.

Read more on **page 19**

FY23

People transformation

By rolling out Workday, our new people management system, we are standardising and streamlining global processes, including offering our people access to online learning providers, global talks and career profiles.

Read more on **page 24**

STRATEGIC REPORT

OUR VALUES.

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

Our people helped us to distil our culture into four BEST values and we have embedded these into our processes and communications, ensuring that everyone is familiar with them and understands our ways of working.

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

Watch our values video at
https://www.pzcussons.com/careers-home/

Chief Executive's Review

RETURNING THE GROUP TO SUSTAINABLE GROWTH.

"We are now approaching three years into our strategy and we have continued to make good progress. We have sought to regain our focus on the consumer while re-investing in our brands and building capabilities."

Jonathan Myers
Chief Executive Officer

Childs Farm revenue growth

+12%

Increase in stores in Nigeria

+47%

96%

of recycled or certified paper in packaging

We are now approaching three years into our strategy and we have continued to make good progress. We have sought to regain our focus on the consumer while re-investing in our brands and building capabilities. We are also being selective about where we should play and how we can win. In doing so, we have sought to build a higher growth, higher margin, simpler and more sustainable business.

It is therefore encouraging that we have delivered a third consecutive year of LFL revenue growth. Our improved gross profit margin compared to FY22 has also allowed us to invest in marketing and capabilities while broadly maintaining the Group's adjusted operating profit margin. This progress has been achieved whilst responding to the well-documented macroeconomic challenges – absorbing for example approximately £80 million of inflationary costs over the last three years whilst continuing to meet the needs of the cost-conscious consumer. While much remains to be done, we have made good progress to date.

On behalf of the Board, I would like to thank the PZ Cussons teams worldwide for their continued energy and tenacity in these challenging conditions and our suppliers and customers for their valued partnership.

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 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 successful execution. 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 strategy is built upon attractive market and category fundamentals. Our revenue is split approximately evenly by developing and developed markets, allowing us to balance the revenue growth typically seen in faster-growing markets with the more attractive margin profiles in more established markets. Our brands are 'locally-loved' in their respective categories – benefitting from local consumer insight and proximity to customers but supported by our global capabilities and efficiencies. We see significant potential for long-term market growth with, for example, a £3.5bn market opportunity[1] in Baby personal care across our largest markets with Nigeria and Indonesia amongst the largest five markets globally for birth rates.

> Longer term, we continue to build towards a higher growth, higher margin, simpler and more sustainable business."

Jonathan Myers
Chief Executive Officer

Across our businesses, we are increasingly adopting a position and mindset of a 'challenger' – bringing scale to compete against smaller, local players and bringing agility and strong consumer and customer understanding to compete against larger players.

OUR STRATEGIC PROGRESS IN FY23

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

1. Build Brands: investing in our brands to drive awareness and loyalty

Following the acquisition of Childs Farm in March 2022, we have sought to further strengthen the brand in FY23 and, in March, launched 'SlumberTime' – an innovative three-part range which has been created using sleep-enhancing technology to aid the sleep of babies as well as their parents. We have also started to accelerate international expansion, with a launch in the US on Amazon, whilst strengthening our existing footprint in markets such as the Middle East. Childs Farm revenue grew 12% in FY23 and we believe we can triple the brand's revenue over the next five years.

In February, we launched Morning Fresh, our market-leading hand dishwash brand in Australia, into the auto dishwash category as we seek to take our existing brands into new category adjacencies. The auto dishwash segment is around twice the size of the hand-dishwash segment and is growing significantly faster. Early signs are promising, with strong feedback from key customers in Australia.

Original Source was launched into the Spanish market for the first time in July 2023 with a launch campaign focused on Out of Home and social media activations. The sector in Spain is worth around £300m[2] and is Europe's third largest bath and shower gel market, signalling the strength and ambition of the brand to continue to grow.

In Nigeria, we launched 'Joy Black', a consumer-insight-led innovation for the Beauty soap. Establishing a differentiated position in the soap segment and with a campaign which speaks to local cultural themes, results have been strong, with revenue growth in the year of over 20%, a doubling of gross margin and an 11 percentage point increase in consumer awareness.

There remains more to be done to fully maximise the opportunity for a number of brands however and to understand the brands' responsiveness to promotional and marketing activity. We continue, for example, to seek to strengthen St. Tropez's presence in the UK, where it has underperformed compared to the US, reflecting the brand's positioning and relative historic levels of investment. Similarly, we have seen more challenging trading in Sanctuary Spa where, against a difficult category backdrop, the brand's re-staging, whilst allowing for improvements in price/mix, has fallen short of our first-year expectations.

1 Estimates based upon Euromonitor data.
2 Euromonitor.

Chief Executive's Review continued

More broadly, we continue to strengthen brand-building capabilities across the organisation, rolling out 3-year brand plans for each of our markets with a focus on our Must Win Brands and assessing opportunities for geographic and category expansion. A number of these, such as the Morning Fresh auto dishwash launch, have already been enacted. Brand Investment increased in FY23 and we continue to prioritise spending on the highest-returning brands.

2. Serve consumers: winning where the consumer shops

In Nigeria, we sought to improve overall distribution and customer service levels, in turn growing consumer penetration by transforming our route-to-market capabilities, differentiating by region and channel. We have increased the number of stores we serve directly by nearly 50% compared to FY22, with priority stores, benefiting from greater focus and a wider range of products, increasing from 500 to 3,000.

Elsewhere, given Amazon's increasing importance and previously unexploited opportunity, we have established a cross-category, multi-functional, dedicated Amazon 'centre of excellence'. The team is focused on driving optimal online performance, returns on marketing investment and the longer-term strategy across commercial, supply chain and marketing. We are using Amazon's vast amount of data to glean consumer insights to better understand our consumers and how they engage with our brands online. Online represents 9% of revenue across the Group and we see an opportunity for this to increase over time.

3. Reduce complexity: simplifying our operations and portfolio to improve returns and reduce risk

As part of our initiatives to simplify our operations, we have been executing a number of transformational supply chain projects. During FY23, these included outsourcing fragrance supply to third parties, the near-shoring of our procurement function from Singapore to Manchester, and the closure of our Thai soap factory with corresponding outsourcing. These projects are now well-progressed and are anticipated to achieve annualised cost savings in the region of £2-3 million. Moreover, it is anticipated that overall efficiency and capability within the supply chain will be improved due to these initiatives.

In September 2023, we announced our intention to buy out and de-list the minority shareholding of PZ Cussons Nigeria plc. Should the transaction gain the necessary approvals, we anticipate that it will significantly simplify and strengthen our business in Africa.

4. Develop people: investing in our teams to strengthen capabilities

During the year, we made a number of new appointments to strengthen organisational capabilities. As with earlier investments, we are focused on bringing together the best external and internal talent. In keeping with this, we hired a new Chief People Officer and Chief Information Officer – both with strong experience from senior positions at consumer goods companies – and were delighted to promote internal talent to the roles of Managing Director in Indonesia and Nigeria. For the first time in recent history, Indonesian and Nigerian nationals are leading their respective businesses.

Our annual engagement survey, in which 96% of employees participated, shows evidence of the progress we are making to strengthen our organisation and culture due to the changes and investment in recent years. Overall engagement is at 73% – slightly ahead of the previous year and benchmark. Particularly pleasing was the 'motivation to go above and beyond' at 76% – an improvement on last year's survey and six percentage points above benchmark. Nevertheless, improvements are still being made in providing clarity and transparency on reward and benefits and clearer career pathways and opportunities.

5. Grow sustainably: acting in the right way for long term growth

We are making good progress towards becoming a more sustainable business and environmental considerations are increasingly considered hand-in-hand with commercial considerations, evidenced by our continued strength in refills and the recent launch of bio-degradable wipes in Indonesia.

Specifically, highlights of progress against the sustainability goals which were established last year include:

- A reduction in virgin plastics in our packaging by 7.8% (vs 2021 baseline) – an improvement from 5.1% reduction in FY22.
- A 49% reduction in waste sent to landfill (vs. 2021 baseline) – an improvement from 20% reduction in FY22.
- An increase in certified or recycled paper to 96% (from 49% in FY22).
- Achievement of carbon neutrality in all operations outside of Africa.

However, further work remains to be done in this area, both with respect to achieving the established targets and fully communicating with stakeholders the progress we are making[3].

3 Further detail, including TCFD required disclosures is provided on page 35.

> On behalf of the Board, I would like to thank the PZ Cussons teams worldwide for their continued energy and tenacity in these challenging conditions and our suppliers and customers for their valued partnership."

Jonathan Myers
Chief Executive Officer

SERVING THE COST-CONSCIOUS CONSUMER

With consumer inflation rates increasing in many of our markets throughout FY23, a key focus for our teams has been on better serving the cost-conscious consumer. This has first and foremost been achieved through targeting efficiencies across our supply chain, as detailed later, reducing the need to pass through inflation. We have, however, used innovation and our portfolio to support the consumer at various price points.

In the UK, for example, recognising the growing importance of the discounter channel in recent years, we developed and launched a new Portfolio Brand, Cussons Creations, in June 2022. Set at a value price point, this launch has allowed us to replace a number of the Imperial Leather SKUs, which played at a similar price. The launch has been positive, allowing us to grow the combined revenue of Cussons Creations and Imperial Leather for the first time in recent history, growing combined market share and distribution points whilst positioning Imperial Leather as a more premium brand.

In Kenya, we have taken the opportunity to relaunch Flamingo – a Portfolio brand with a strong heritage targeting the value consumer, which has lacked attention in recent years. As part of the relaunch, like Imperial Leather, we have been successful in growing the brand for the first time in several years, achieving over 50% revenue growth as we have increased both volumes and pricing whilst maintaining competitive pricing relative to peers.

In Indonesia, the launch of a smaller 55ml pack size of Cussons Baby Hair and Body Wash has allowed us to reduce the absolute price point, enabling Indonesian parents to continue to access high-quality bathing products for their babies despite a significant reduction in disposable income.

NEAR-TERM PRIORITIES

As we look into FY24, we have established four priorities for the business for the next 12 months, seeking to balance addressing immediate challenges whilst setting the business up well for long-term success. The priorities are:

1. Continue to simplify and strengthen our business in Nigeria
2. Return the UK market to sustainable, profitable growth
3. Accelerate brand growth in and beyond the core portfolio
4. Continue to transform organisational capabilities.

In the long term, we are building a higher growth, higher margin, simpler and more sustainable business. We maintain our LFL revenue growth ambition of mid-single-digits growth and our ambition for adjusted operating profit margins in the mid-teens.

SUMMARY

In summary, we have continued to make good strategic progress, with a third year of consecutive LFL revenue growth, delivering on expectations despite the significant external challenges of cost inflation and pressures on consumer spending. There is more to do as we seek to maximise the company's full potential, and there are well-documented challenges to be navigated in Nigeria. However, we continue to believe that we can build a higher growth, higher margin, simpler and more sustainable business.

Jonathan Myers
Chief Executive Officer

26 September 2023

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

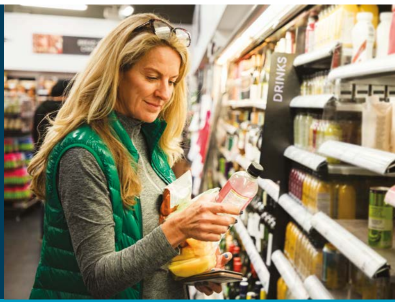
Strong balance sheet reflecting our disciplined financial approach

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

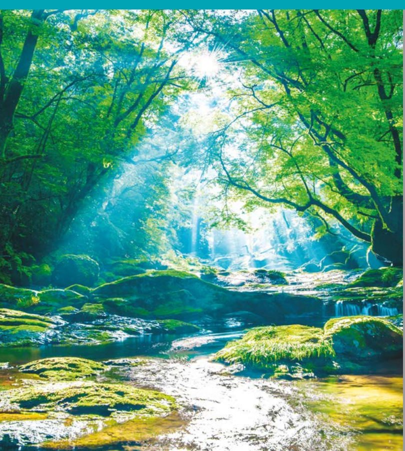
ALL UNDERPINNED BY OUR PURPOSE, CULTURE, VALUES, GOVERNANCE AND ETHICS

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 continuous 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

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 clear plan to build a higher growth, higher margin, simpler and more sustainable business

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

Our Markets

WE ARE WELL-POSITIONED TO DRIVE GROWTH THROUGH OUR MULTI-LOCAL APPROACH, WITH OUR LOCALLY-LOVED BRANDS.

LOCALLY-LOVED BRANDS

We see our brands as being 'locally-loved' solidifying their market presence by utilising local knowledge and customer relationships to compete against global rivals. Simultaneously, we capitalise on our global capabilities, efficiencies, and best practices to out-perform domestic operators.

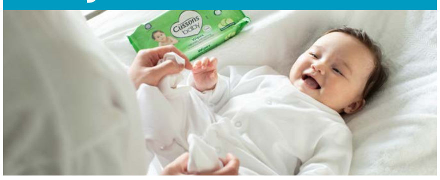
It's this approach that positions our business not as multi-national, but as multi-local.

Across these markets, our Must Win brands, and the majority of our Portfolio Brands, are centred around the three core categories of Hygiene, Baby and Beauty.

OUR PRIORITY MARKETS ARE:

- UK
- Indonesia
- Nigeria
- Australia/New Zealand

Most of our brands operate in these four markets, while the US is home to St. Tropez, our leading premium tanning brand.

CATEGORIES	KEY SUB-CATEGORIES	MUST WIN BRANDS
Hygiene 	• Mass Personal Care • Home Care	Carex, Joy, Morning Fresh, Original Source, Premier
Baby 	• Baby Personal Care • Baby Food	Childs Farm, Cussons baby
Beauty 	• Masstige Personal Care • Premium Self-tanning • Bath Additives	Sanctuary Spa, St.Tropez

FOCUS ON BABY PERSONAL CARE

Across our markets of UK, ANZ, US, Nigeria and Indonesia, we have leading positions in the Baby category. In particular, we see the Baby personal care market, where our Cussons Baby and Childs Farm brands are positioned, valued at around £3.5bn and driven by the 17 million annual births in these markets. Drivers of the growth vary, with developing markets influenced by volume growth and developed markets by premiumisation.

DYNAMIC MARKET SIZE

£3.5bn
size of baby personal care market

17m
annual births

DEVELOPING MARKETS DRIVEN BY VOLUME GROWTH

- Rising disposable incomes
- Growth in birth rates.

DEVELOPED MARKETS DRIVEN BY PREMIUMISATION

- Increasing importance of babies and children
- Branded products.

GLOBAL CONSUMER TRENDS

'PLAY AND EXPLORATION' | 'PROTECT AND NURTURE' | 'SUSTAINABLE'

Market size is based on Euromonitor data and management estimates for Baby Personal Care across the markets of UK, ANZ, USA, Nigeria and Indonesia. Includes wipes and excludes nappies. Population data is based on World Population Prospects 2022 of the United Nations Department of Economic and Social Affairs.

MACRO TRENDS AFFECTING OUR BUSINESS

	Market dynamics	Our response
Macro-economic environment	We've seen a cost-of-living crisis in several of our markets. Inflation in the UK for example has been reaching highs of over 10%[1] in January 2023 and around 20% in Nigeria[2]. This has caused consumers to be ever more cautious with their spending.	We have doubled our efforts to provide good everyday value, launching for example Cussons Creations to serve the needs of the cash-conscious consumer.
Sustainability	Consumers now have higher expectations for the brands they buy and the companies behind them. They are actively seeking reassurance regarding ethically sourced ingredients, absence of harsh chemicals and environmental hazards, as well as a guarantee that products are cruelty-free. Additionally, consumers are becoming more conscious of packaging choices, favouring recycled or recyclable materials over virgin plastic.	We are working hard to address the demands as evidenced by our sustainability targets. Childs Farm successfully obtained B Corp certification in July 2022.
Developing markets	We believe in the long-term potential of emerging markets, such as Nigeria. With its projected population doubling by 2050, it is set to become the world's third most populous country, trailing only China and India.	With about half of our revenue originating from developing markets, alongside the strong presence of our brands in these regions, we are strategically positioned to seize the advantages presented by these opportunities.
Channel disruption	Across a number of our markets, we are seeing changes to the way in which consumers shop as they continue to purchase more online. In developing markets, we are seeing a shift as consumers move towards supermarkets and modern retail and away from the legacy of markets and traditional trade.	We have established an Amazon Turbo Team across our developed markets, seeking to maximise the potential for our brands online. In Nigeria, we have continued to strengthen our route to market with a further 47% increase in the total number of stores covered.
Technology	Technological change is ever present and over the last year we have seen a significant rise in generative Artificial Intelligence (AI). While it remains early days, the technology could have profound implications for many aspects of our business, creating efficiencies and requiring new ways of working.	We are beginning to experiment with platforms such as ChatGPT, seeking to leverage the efficiency it can provide in areas such as marketing.

1 Source: CPIH (Consumer Prices Index including owner occupiers' housing costs) 12 month rate of 11.8% in January 2023.
2 Source: Nigeria National Bureau of Statistics. Inflation was 22.41% in May 2023.

Our Strategy

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

STRATEGY OVERVIEW

In March 2021, we set out our new strategy. 'Build brands for life. Today and for future generations.' We have made clear choices around 'Where to Play' and 'How to Win'.

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.

WHERE TO PLAY

HYGIENE, BABY AND BEAUTY

4 PRIORITY MARKETS

HOW TO WIN

SUSTAINABILITY | CULTURE | LEADERSHIP | CAPABILITIES

Focus on Must Win Brands

Carex, Cussons baby, Childs Farm, Joy, Morning Fresh, Original Source, Premier, Rafferty's Garden, Sanctuary Spa, St.Tropez

OUR STRATEGY CAN THEREFORE BE SUMMARISED ACROSS FIVE FOCUS AREAS:

BUILD BRANDS	SERVE CONSUMERS	REDUCE COMPLEXITY	DEVELOP PEOPLE	GROW SUSTAINABLY
Investing in our brands to drive awareness and consumer loyalty.	Winning where the shopper shops.	Simplifying our operations and portfolio to improve returns and reduce risk.	Investing in our teams to strengthen capabilities.	Acting in the right way for long-term growth.

BUILD BRANDS

INVESTING IN OUR BRANDS TO DRIVE AWARENESS AND CONSUMER LOYALTY

NEW PRODUCT DEVELOPMENT FOR CHILDS FARM

The launch of SlumberTime was a significant milestone as the brand's first major innovation under PZ Cussons ownership. Our innovative range is designed to enhance babies' sleep experience and address an issue facing new parents – sleep deprivation.

Childs Farm commissioned a comprehensive study revealing that the substantial sleep loss experienced by parents during their baby's first six months amounted to 550 hours. This research served as a foundation for the development of SlumberTime. We partnered with sleep experts at Givaudan to conduct groundbreaking research on fragrance-related wellbeing benefits. Utilising the findings, a master perfumer crafted a unique scent using DreamScentz™ technology.

The SlumberTime range encompasses a three-step routine, including a soothing bath soak, calming massage lotion and a sleep mist.

To support the product launch, Childs Farm collaborated with Vogue Williams, a prominent TV presenter and mother of three. This strategic partnership brings credibility and broad visibility to the product range.

Additionally, a 'save our sleep' social media campaign is underway, educating new parents on the skincare benefits of Childs Farm products and guiding them towards the perfect sleep routine for their families.

With future developments in the pipeline, we are well positioned to expand our market share and strengthen our reputation as a leader in the baby care industry.

ORIGINAL SOURCE ENTRY INTO THE SPANISH MARKET

We recently launched our renowned bath and shower brand, Original Source, in the Spanish market. This move marks a significant achievement for the brand as it enters Europe's third-largest bath and shower gel market, valued at €345 million. With successful expansions into other countries and a strong reputation for invigorating products, Original Source aims to give Spanish consumers a fresh 'wake-up call'.

Original Source products are now available in over 1,730 stores across Spain, thanks to strategic partnerships with Carrefour and Druni Perfumerias. This expansion aligns with our overall transformation strategy and demonstrates our strength and ambition to grow.

To cater to Spanish consumer preferences, Original Source introduced a new 500ml shower gel bottle, which is packed with more natural ingredients. The packaging maintains the recognisable and vibrant colours that have become synonymous with the brand in the UK.

We launched a series of Original Source promotions to support expansion into Spain. The brand adapted its iconic UK advertising slogan, 'Tingle your Ringle', in collaboration with distributor Albert Roger Ltd, ensuring relevance for the Spanish market.

Additionally, we have developed and deployed an influencer marketing strategy to generate engaging content across social channels, further amplifying brand awareness and reach among Spanish consumers.

As we continue to implement our transformation strategy, the expansion of Original Source into Spain is a testament to our ongoing success and future prospects.

Our Strategy continued

SERVE CONSUMERS

WINNING WHERE THE SHOPPER SHOPS

OUR PROGRESS

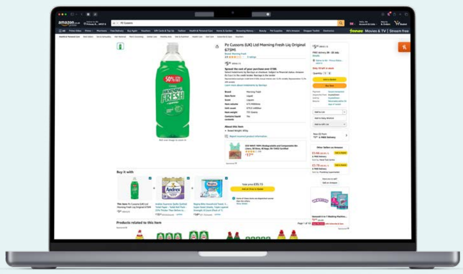
Throughout FY23, we saw a cost-of-living crisis in a number of our markets, with soaring general levels of inflation squeezing household finances and making it imperative that we successfully address the needs of cash-conscious consumers. To this end we acted quickly to introduce Cussons Creations, as we seek to provide everyday great value shower products for the UK market. Serving almost exclusively the discounter channel, Cussons Creations is typically priced below £1.

At the same time, this move also allowed us to begin to premiumise Imperial Leather – a brand with significant equity and heritage but which had seen revenue declines for a number of years as it had lost its way, with growing presence in discount channels. The launch of Cussons Creations – bearing some of the same fun look and feel as the previous Imperial Leather range – was therefore not only an opportunity to provide everyday great value, but a chance to re-establish Imperial Leather as a touch of everyday luxury with improved fragrance, better lather and preferred packaging.

Trending this year and popular with Home Bargain shoppers

- **Right Royal Wash** which was launched just in advance of the King's Coronation
- **Dachshund Through the Snow** which was launched for Christmas 2022.

The response to this innovation and re-positioning of our portfolio has been positive. The combined revenue from Imperial Leather and Cussons Creations (compared to just the Imperial Leather offering in FY22) has grown in FY23, with distribution across the two brands up 17%.



Winning in traditional trade in Nigeria and online

In Nigeria, we have continued to strengthen our route to market, increasing our total points of distribution by a further 47% in FY23, meaning we can serve more consumers faster and more effectively. This has also allowed us to simplify and improve the configuration of our supply chain, including reducing the number of distribution centres as we build a stronger network of distributors and wholesalers.

Elsewhere, given the growing importance of Amazon as a customer, we have established a dedicated team to accelerate growth and better serve consumers to the platform. The team is focused on better understanding returns on marketing investment and how consumers interact with our brands online, as well as developing dedicated content to improve click-through-rates and purchases.

REDUCE COMPLEXITY

SIMPLIFYING OUR OPERATIONS AND PORTFOLIO TO IMPROVE RETURNS AND REDUCE RISK

PZ Cussons is embarking on a supply chain transformation enabling us to achieve our commercial ambitions and strengthen the business. We've analysed and evaluated each part of our supply chain and identified areas for improvement, including leveraging third-party expertise. This suite of projects aims to optimise, simplify, and future-proof PZ Cussons' supply chain, representing the most significant functional transformation for PZ Cussons in many years.

Progress in FY23 has been across three specific projects:

1. Closure of Fragrance Supply and Outsourcing

Fragrance supply operations were closed and outsourced to global manufacturers. This strategic move will reduce costs, improve quality, and increase flexibility through these third-party suppliers.

2. Nearshoring of Procurement function from Singapore to Manchester

Procurement operations were relocated from Singapore to Manchester to enhance efficiency and strengthen capabilities. Co-locating global procurement teams in the UK means improved collaboration with other business areas such as finance and commercial teams, with cost reduction and streamlined processes. The transition is complete and we've noticed a significant decrease in inventory levels.

3. Closure of Thai Soap Factory and Outsourcing

We have announced plans to close the Thai soap factory outsourcing production to more efficient third-party providers. This decision enables us to achieve significant cost savings, shorten manufacturing lead times and reduce freight usage aligning with our sustainability goals, reducing our carbon footprint and landfill waste. The factory will stop production in January 2024.

These transformation projects go far beyond fixing the basics and see us transforming our supply chain to align with the Group's future growth ambitions.

Supply chain enhancement results in significant cost savings for PZ Cussons

£2–3million

estimated annual savings

Sustainability improvements from the closure of our Thai factory

1,008

tonne reduction in CO_2 footprint

17

tonne reduction in waste to landfill

Nigeria simplification

We have continued to simplify our operations in Nigeria. Key changes include:

- Reduction in SKU count in Family Care from c.250 two years ago to c.120 today
- In doing so we have improved the mix of Premier soap to be higher margin, driven by a mix of distributor incentives and clear SKU guidelines according to store or outlet type
- Reduction in 'tail' or non-performing brands from 18 to 12.

Our Strategy continued

DEVELOP PEOPLE

INVESTING IN OUR TEAMS TO STRENGTHEN CAPABILITIES

During the year we took the opportunity to make two important promotions to Managing Director roles. Ningcy and Oghale are the first Indonesian and Nigerian nationals to lead their respective businesses.

NINGCY YULIANA, MANAGING DIRECTOR – INDONESIA

Ningcy is Managing Director of PZ Cussons Indonesia, a role she was appointed to in June 2023. She is responsible for driving business growth in the Indonesian market.

With over 15 years of experience in Brand and Marketing Management, Ningcy joined PZ Cussons as the Head of Marketing for the Asia region in January 2011. During this period, she has built a strong understanding of PZ Cussons' Indonesia business, having progressed through five senior leadership positions, including Sales Director. Prior to PZ Cussons, Ningcy held senior roles at Nestlé and Sara Lee, among other businesses.

OGHALE ELUENI, MANAGING DIRECTOR – AFRICA CONSUMER BUSINESS

Oghale is the Managing Director of the Africa Consumer Business and is responsible for leading P&L delivery, market share and business growth. He is also accountable for end-to-end operations management and organisational health across the Africa market.

Before joining PZ Cussons, Oghale served as General Manager, Sub-Saharan Africa, and Managing Director West Africa for SC Johnson. More widely, he spent several years at Procter & Gamble in Africa and the US, holding several leadership roles across market strategy and planning; and commercial management roles for Walmart's International Customer Team, supporting emerging markets in Asia and Latin America, and health & beauty categories.

How would you sum up your role?

NINGCY: Having worked across several leadership positions at PZ Cussons over a decade long career, I have a strong understanding of the business. In my current position, I am responsible for overseeing operations in the region and driving business growth in the Indonesian market.

OGHALE: My mission is to lead the Africa business to deliver sustainable, profitable growth. To enable that, I need to work with my leadership team to build a truly world class, brand building organisation, that places a premium on a high-performance work culture.

What excites you most about your new role?

NINGCY: I'm grateful and excited to challenge myself in taking the business to another new level. My goal is to increase the penetration of our brands and products into Indonesian homes and at the same time to continue to challenge ourselves in expanding our presence and availability. While also ensuring that PZ Cussons is an attractive, rewarding and enjoyable place for people to work.

OGHALE: First and foremost, it's the organisation I serve. The Africa team is built of passionate, resilient people who are always up for the challenge, and it is a delight to come to work and lead these people. Secondly, Africa is a growing population, and so I'm excited to be taking the PZ Cussons brand to even more people across the continent.

What is your primary focus for your first 100 days in the role?

NINGCY: I'm keen to establish a set of targets and timelines whereby we can achieve our end goal of delivering continuous improvement and sustainable growth. It's also important for me to engage with as many people as possible from within the organisation, to build trust and drive momentum around our key targets over the next year. I'm also keen to introduce the outside world to PZ Cussons, so that stakeholders can understand who we are as a brand, and our purpose of being 'For everyone, for life, for good'.

OGHALE: It's important to acknowledge that PZ Cussons and Africa has a strong heritage, strong capabilities and a brilliant workforce. As I look forward, my focus will be to lean into these strengths to help the business to grow. I want to explore new categories for our brands to grow into; identify opportunities for our core brands to travel across Africa; and I want to scope out opportunities to accelerate learning and skills programmes within the business, to build a legacy that we can be proud of.

GROW SUSTAINABLY

ACTING IN THE RIGHT WAY FOR LONG-TERM GROWTH

Our Group Sustainability Goals.

33% virgin plastic reduction by 2030	100% recyclable, reusable or compostable packaging by 2030	100% certified or recycled paper by 2025

Morning Fresh roadmap to meet and beat its 2030 sustainability targets.

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.

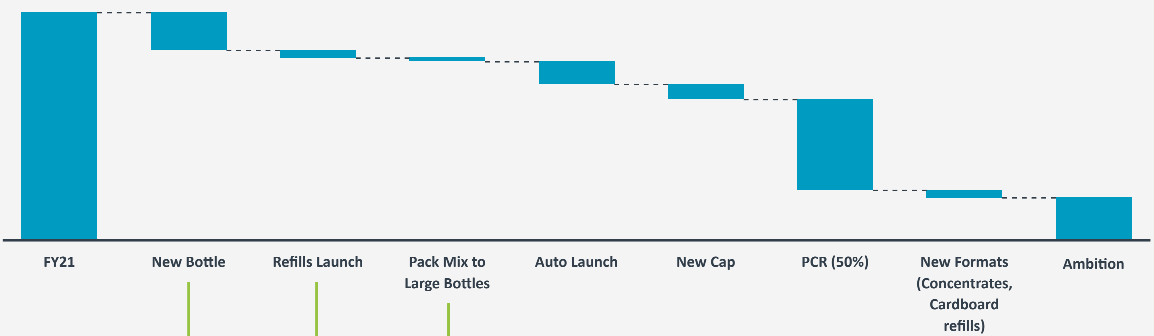
A good example of where sustainability considerations have been explicitly incorporated into our commercial planning is in Australia with our market-leading Morning Fresh brand.

The team have carefully monitored the sustainability impact of their packaging plans with new bottle designs, refill formats, material choice and pack mix. As a result, they have a clear, quantified roadmap to achieving and potentially outperforming their targeted 33% reduction in virgin plastic by 2030.

MORNING FRESH PLASTIC GRAMS PER KG

1 Existing initiatives have achieved a 18% reduction as at the end of FY23

2 Future opportunities



NEW BOTTLE

3% reduction via a new bottle design

REFILLS LAUNCH

Format uses 75% less plastic

PACK MIX

Larger formats to improve packaging ratio

People and Culture

PRIORITISING PEOPLE AT PZ CUSSONS.

WE HAVE SOMETHING SPECIAL AT PZ CUSSONS. AS A FTSE 250 WITH OVER 2,600 PEOPLE WORKING FOR US, WE CONTINUE TO PLACE OUR PEOPLE AGENDA AT THE CENTRE OF OUR STRATEGY.

This year has been about establishing foundations following our business turnaround, creating new processes and evolving our culture and ways of working.

We have a powerful PZ Cussons purpose, 'For everyone, for life, for good', championing the wellbeing of our consumers: people, families and communities everywhere. Our purpose is a key part of our story. We have also defined our BEST values (Bold, Energetic, Striving and Together) in collaboration with our people, and these are embedded across the organisation. Our values inform how we make decisions and support the key behaviours that we expect our people to role model.

> We have a powerful PZ Cussons purpose, 'For everyone, for life, for good', championing the wellbeing of our consumers: people, families and communities everywhere."

FULFILLING CAREERS

The transformation of PZ Cussons requires our people to strive for excellence and to challenge themselves professionally when delivering against our strategy. We combine our efforts and work together to achieve the best outcomes for everyone. We want people to have fulfilling careers with us at every stage of their career journey.

Early careers: This year, we launched our first early careers programmes and have offered a number of summer internships as well as a graduate programme, which includes the opportunity for an assignment in one of our international business units.

Leaders at all levels: Over 600 leaders at all levels concluded our leadership development programme this year, spearheaded by our ELT. The programme emphasised purposeful leadership aligned with our values and focused on high-performing teams. This work complemented targeted learning and development on strategic themes.

Career conversations: We encourage regular career development conversations to create a learning culture and continue supporting all people at PZ Cussons to develop and accelerate their careers. To support our managers and people, we have leveraged our Workday people management system. We intend for all employees to develop a career profile to highlight their key career experiences and skills. This will support our talent planning and succession processes. We have also transitioned our goal-setting and performance management process online, focusing more on continuous performance conversations.

Global learning platform: We launched our first global learning management system on Workday, offering all of our people access to a range of best-in-class online learning courses from external providers. These are updated regularly and can be accessed at any time.

GLOBAL CONVERSATIONS

We offer regular opportunities to hear from the ELT and other expert speakers and encourage everyone at PZ Cussons to join the conversation and ask questions.

Events: In October 2023, we launched our Future Ready leadership event, bringing together leaders from across our business to discuss strategic priorities. Our global Town Halls with the ELT run bi-monthly, and we launched a new global speaker programme, with a range of external and internal speakers offering fresh perspectives on topics ranging from e-commerce or new artificial intelligence tools to building personal resilience. Several hundred employees attend each short talk.

Engagement: Emphasising our value of working together, we have also built on our existing employee engagement programme by creating new Celebrating our Culture events and employee networks in each of our business units.

Listening and responding: Our HR Leadership Team and employee groups have been responding to challenges experienced by employees in our local markets, offering a range of targeted wellbeing solutions, including support for those impacted by the rising cost of living. Our annual engagement survey, increased emphasis on two-way feedback and regular 'question and answer' sessions ensure we are continually listening to and learning from our people. We build all feedback into our strategic planning for the year ahead.

DIVERSITY, EQUITY AND INCLUSION

It is essential that our colleagues represent the communities which we serve; we are proud of our PZ Cussons heritage and this year two of our ELT positions have been taken up by local nationals, who were promoted from within. We are committed to creating a culture where we value and celebrate difference so every person feels like they belong and can be their true self. We will soon undertake a Diversity, Equity & Inclusion (DEI) Maturity Assessment to enable us to benchmark where we are currently. We have also established a DEI Executive Committee who will lead and sponsor the development of a new DEI strategy, which will be presented to the Board in FY24.

Global Engagement Survey 2023

We were delighted to attain a 96% participation rate (compared to 93% in 2022) and to have maintained our overall employee engagement score at 73% (2022: 72% and 2023 benchmark: 72%) while our people navigated the challenges of our external environment and our business transformation.

Overall motivation to go above and beyond was at 76% (+6 percentage points compared to our benchmark and +2 percentage points compared to 2022).

Our people are engaged by the PZ Cussons purpose and are clear about our strategic priorities: 93% of respondents confirmed they know how their work contributes to PZ Cussons' goals and 93% of respondents understand what is expected of them.

Thanks to a sustained effort from all of our teams, we also made big gains in questions relating to holding ourselves and our team members accountable for business results (87% agreed with this statement, which was +7 percentage points versus the benchmark) and inter-departmental collaboration (74% agreed, +9 percentage points versus the benchmark). Our UK business in particular had a 15% uplift in their overall engagement score to 67% during a period of significant transformation.

92% of survey respondents stated that they are aware of our BEST values and 87% stated that they believe in our BEST values. This reflects the efforts made to not just launch our values but also to embed them firmly in our ways of working.

Areas to focus on in FY24 for our people, include providing more clarity and transparency on total reward and benefits, clearer career pathways and opportunities, and further developing our employee recognition schemes.

Survey run by Culture Amp. Benchmark Consumer Goods and Services, January 2023.

I am proud to work for PZ Cussons

88%

(2022: 87%)

I would recommend PZ Cussons as a great place to work

85%

(2022: 83%)

Sustainability

IT'S IN THE DNA OF PZ CUSSONS TO BE A FORCE FOR POSITIVE CHANGE.

INTRODUCTION TO ENVIRONMENTAL AND SOCIAL IMPACT AT PZ CUSSONS

We recognise the impacts that we have on the planet and on society, and we take responsibility for addressing these impacts and work in partnership with our suppliers, customers and communities to make a difference. We are guided by our company purpose: For Everyone, For Life, For Good, which helps us consider the customers, consumers and communities we serve, our employees and the planet when we make decisions as a business.

Our Environmental and Social Impact framework which we call 'Better for All', aligns to our purpose and our sustainability strategy helps everyone in the business, whatever their role, understand how they can help us to achieve our targets. The framework is also supported by the long-term KPIs that we previously set. The areas within the framework that we focus on were validated and determined by a Group-wide materiality assessment that we conducted in FY22. We plan to review and refresh this analysis in FY24 to ensure that we continue to focus on those areas where we have the biggest impact as a business.

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. This report shows where our actions are guided by these goals.

GOVERNANCE

Our sustainability strategy is overseen by the Board via a sub-committee. The ELT is responsible for developing the strategy and presenting to the Board for approval, and monitoring progress towards our sustainability KPIs. The Sustainability Steering Group comprises representatives from our different markets and business functions, and its role is to review the plans that are in place and our progress towards our corporate and market KPIs. In FY23 we have established working functional and regional teams that meet monthly to put in place the building blocks to achieve our social and climate-related objectives, both by business unit and functional levels. Those working groups report to the Sustainability Steering Group.

Decision & monitoring	**Board** (Environmental and Social Impact Committee – approval of strategy and monitoring of delivery, including corporate KPIs)	
Decision, collaboration & monitoring	**ELT ES Forum** (sub-set of the ELT – makes operational and investments decisions)	
	Sustainability Steering Group (SSG) (report to ELT – monitoring of ESG goals; oversight of internal and external communications)	
Delivery	**Sustainability team**	
	Functional workstreams (development and management of plans to achieve strategic aims, KPIs from a workstream perspective)	**Market delivery projects** (full P&L accountability, has to align with business context; responsible for delivery of ESG projects on a business unit level)

FOR EVERYONE

Our impacts on people: Through our employees and the communities we serve. This addresses our impact on people, our employees' safety and wellbeing, and the communities that we serve.

For more details see **page 28**

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 details see **page 30**

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 details see **page 40**

This section of our Annual Report provides a summary of our sustainability activity. For more detail on our sustainability strategy or for examples of how we are implementing change, see our website for our stand-alone Environmental and Social Impact Report for FY23 www.pzcussons.com/sustainability/policies-and-disclosures/

OUR BETTER FOR ALL FRAMEWORK.

"We continue to use our Environmental and Social Impact framework Better For All to steer our progress. Our governance system forms an important part of this; connecting our different teams and countries in PZ Cussons to work collectively towards our ESG targets."

Joanna Gluzman
Chief Sustainability Officer

More information about our approach to sustainability, highlights from the year, our progress against our targets, and our plans for the future is available in our FY23 Environmental and Social Impact Report which can be found on the Company website: www.pzcussons.com/sustainability/policies-and-disclosures.

Sustainability continued

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.

Our main manufacturing sites are accredited to ISO9001 for quality. We use ISO10377, the standard for consumer safety, to assess and improve our performance.

Our product ambition is to inspire responsible consumption of our products and disposal of our packaging by adapting our pack communication so consumers can make informed choices. For more information and case studies about how we deliver our ambition and how we communicate with consumers on our product packaging, see our Environmental and Social Impact Report on our website.

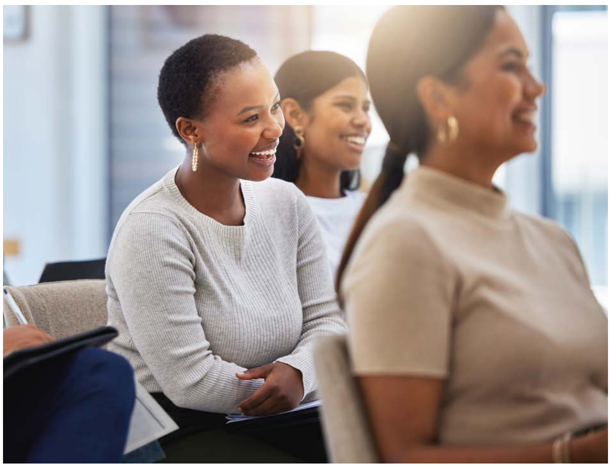
We have over 2,600 employees globally, who collectively define who we are as a business. Our employees, ELT and the Board have worked together to define our purpose – 'For everyone, for life, for good' and to capture our BEST values – Bold, Energetic, Striving and Together. We seek to bring them to life through our people processes, focusing on creating a high-engagement culture, encouraging high performance and growing compelling career paths to attract, retain and develop the most talented and capable people.

HEALTH AND SAFETY

In FY23, we made positive progress in health and safety across all our KPIs. Following the behaviour safety improvement initiative completed in all our manufacturing locations in FY22, we noted a 75% reduction in Lost Time Incidents (LTI), with no LTI reported in our factory operations. We also noted a decrease in the number of reportable incidents. There was also an improvement in the reporting of minor incidents, and improved due diligence in the identification of minor injuries, meaning our All-Accidents figure increased.

	2017–18	2018–19	2019–20	2020–21	2021–22	**2022–23**	Change year-on-year
Fatalities	0	0	0	0	0	**0**	0
LTI[1]/Yr	13	8	3	2	4	**1**	-3
LTIFR[2]	0.26	0.13	0.05	0.04	0.08	**0.02**	-0.06
AAIFR[3]	2.17	2.13	1.45	1.14	1.09	**1.15**	+0.06

1 LTI defined as Lost Time Incidents.
2 LTIFR defined as Lost Time Incident Frequency Rate.
3 AAIFR defined as All Accident Incident Frequency Rate.



Aligning to the SDGs

EMPLOYEE DEVELOPMENT

The transformation of PZ Cussons requires our people to strive for excellence and to challenge themselves professionally in delivering our strategy. In FY23 we launched our first 'early careers' application process globally and have offered a number of summer internships, as well as a new graduate programme including the opportunity for an overseas assignment. We also expanded the learning modules available on our Workday platform to include training modules on sustainability, and on diversity, equity and inclusion, providing employees with introductory knowledge on both these important areas. We launched a new Sustainability Hub on our intranet, which holds a variety of content, including reading materials, videos and information about our sustainability strategy.

EMPLOYEE WELLBEING

Our markets have developed a range of health and wellbeing activities that are particularly relevant to colleagues in those countries. This allows each programme to be tailored to local needs. For example, in the UK and Beauty businesses we have implemented a new breastfeeding policy which will also be applied in Australia and New Zealand, while in Nigeria a Best Health and Wellness week was held in addition to reopening the gym in the head office. For more details see our Environmental and Social Impact Report which can be found on our website.

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 see strong results.

DIVERSITY, EQUITY AND INCLUSION

To continue building an inclusive workplace environment, we established a group of ELT members focused on developing and reporting back on our diversity, equity and inclusion strategy. This year, we have introduced two new questions to our annual employee engagement survey, which ask employees about their ethnicity and educational background. Collecting this data will give us greater insight into the socioeconomic characteristics of our employees and will help inform our long-term strategy.

COMMUNITIES

We want to create positive social change in the communities where we operate. Our Code of Ethical Conduct requires that any charitable donations we make are free from political affiliations or conflicts of interest. In FY23 we established our new Charity Partnership Framework. The framework optimises employee engagement with the charities we support and assesses the degree of impact we have on local communities, encouraging partnerships that align with our corporate purpose and brands. More information on our charity partnerships and community impact can be found in our Environmental and Social Impact Report on our website.

For more details see our Environmental and Social Impact Report on our website:
www.pzcussons.com/sustainability/policies-and-disclosures/

Sustainability continued

FOR LIFE.

We address all our environmental impacts through the lens of our purpose.

We are committed to minimising our impact on the earth and oceans. We do this through reducing our carbon emissions, considering the sourcing decisions we make, and through managing our packaging, waste and water use.

We measure, manage and report our performance in the areas that we believe are most important to the business, and where we have the biggest impact. This includes carbon emissions, water usage and landfill waste, plastic consumption and disposal 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, most of our main operating sites are certified to ISO14001, with our site in Kenya currently working towards achieving this certification. We operate a continuous improvement (CI) programme in our factories which reduces our carbon emissions, water use and landfill waste.

PLASTICS AND PACKAGING

The packaging agenda is high on our list of priorities. The need to reduce our packaging footprint is as important as it is challenging.

In FY22 we reviewed our global plastic and packaging targets. In FY23 we worked with our markets to identify market-based targets that will help us achieve our global ambitions and have started implementing measures to move towards meeting those targets.

Our Paper Promise is our global paper target to support our business strategy. We have been implementing measures to ensure the proportion of certified or recycled paper that we use grows each year. Certified paper means that all materials used come from responsibly managed, certified forests such as FSC, PEFC or equivalent certification. Using recycled material makes the most of precious forest resources and reduces the pressure to harvest more trees. Using certified or recycled paper mitigates the risk of the material originating from unacceptable sources.

Target	**FY23 Current reporting year**	FY22 Previous reporting year
Reduce virgin plastic in our packaging by one third by 2030 from a 2021 baseline	**-7.8% compared to baseline**	-5.1% compared to baseline
Ensure 100% recyclable, refillable or compostable packaging by 2030	**88.4%**	83.3%
Use 100% certified or recycled paper by 2025	**96%***	49%

* The data covers over 90% (by tonnage) of our manufactured and third-party sourced consumer goods and we are constantly looking to improve our coverage. Certification and recycled content is based on supplier documentation and has not been independently verified or physically reviewed.

Aligning to the SDGs

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

REDUCING CARBON EMISSIONS

Reducing carbon emissions is a priority for our business. Decreasing our direct carbon emissions is also linked to our renewed credit facility, further details of which are provided on page 187. The annual reductions we committed to are in line with science-based methodology. Our emissions data has been assured by Verco[1] for scopes 1 & 2, and by EcoAct[2] for scope 3, both of which are independent third-party experts.

In FY23 the Group's carbon footprint for scopes 1 and 2 decreased by 0.3% (market based) compared to our baseline, reversing the increase in FY22. We also reduced our energy consumption by 4% compared to FY22.

While we consciously and voluntarily use carbon credits to offset those emissions we have not yet been able to reduce, we remain committed to reducing our overall emissions in absolute terms. In FY23, we achieved carbon neutrality in the UK, Beauty, ANZ and Asian operations[3]. Carbon neutrality means that we have offset our remaining scope 1 and 2 emissions through the purchase of Gold Standard VER carbon credits. We have done this through a combination of increasing energy efficiency, moving to renewable electricity and through purchasing of carbon offsets. We purchased of 13,000 tonnes of CO_2e offsets, supporting transformation across two projects, one in Nigeria and one in Indonesia. Both projects meet the requirements of the Gold Standard, an internationally recognised offsetting provider.

1 Verco provide limited assurance, following the ISO 14064-3:2019 Greenhouse gases – Part 3 standard. Scope: PZ Cussons and all subsidiaries worldwide on an operational control basis. The target verification coverage was 20% of Scopes 1 & 2, both of which were exceeded (94% of both was verified). Based on the verification work undertaken, Verco consider that all material GHG emission sources have been appropriately identified, measured, and reported. All findings that were identified during the limited assurance verification fell below the threshold of ±5% so were not considered material, and all were rectified prior to the issue of the report and the publishing of the final inventory of GHG emissions.

Following the limited assurance review, it is Verco's conclusion that there is no evidence to suggest that the GHG emissions statement for FY23 are not materially correct, are not a fair representation of PZ's operations, and are not prepared in accordance with the WRI/ WBCSD GHG Protocol.

2 A limited level of verification was conducted, aligned with the ISO 14064-3:2019 standard specification and guidance for the verification and validation of greenhouse gas statements. The organisational boundary of PZ Cussons was established using the operational control approach, which included those sites which were operational in FY21. Based on the data and information provided by PZ Cussons and the processes and procedures followed, nothing has come to EcoAct's attention to indicate that the Scope 3 emissions total for FY21 (8,682,331 tCO_2e) are not fairly stated and are free from material error.

3 At a cost of less than £150k. Given this cost is immaterial, we do not consider a specific carbon offsetting accounting policy is required.

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.

Target	FY23 Current reporting year	FY22 Previous reporting year
Achieve carbon neutrality in our operations by 2025	**22% of our emissions**	2% of our emissions
Achieve a 42% reduction in scopes 1 and 2 carbon emissions (aligned with science-based targets) by 2030	**-0.3% compared to baseline**	+8.5% compared to baseline
Achieve net zero emissions across scopes 1, 2 and 3 by 2045	**Scope 3 calculated and verified**	NA

EMISSIONS TABLES

This year, following expert advice from our emissions consultant, we moved the emissions associated with PZ Wilmar from scopes 1 & 2 to scope 3 (investments), as it is a joint venture in which we have no operational control. We are showing both scenarios due to this change being in transition this year. The first table shows emissions related to PZ Wilmar in scopes 1 & 2, as we have in the past. The second table shows emissions associated with PZ Wilmar in scope 3. Going forward, we will report PZ Wilmar in scope 3 (investments).

Sustainability continued
For Life continued

OLD REPORTING METHODOLOGY – GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION*:

	FY23[4] (current reporting year)			FY22[1,2,3,4]			FY21 (baseline year)[1,2,3]		
	UK	**Global**	**Total**	UK	Global	Total	UK	Global	Total
Energy consumption used to calculate emissions (MWh)	**6,518**	**205,784**	**212,302**	6,203	213,244	219,447	6,209	200,630	206,839
Scope 1[4]									
Emissions from activities for which the Company owns or controls including combustion fuel & operation of facilities (Scope 1) (tCO_2e)	**642**	**39,945**	**40,587**	1,141	42,169	43,310	785	39,998	40,783
Scope 2[4]									
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 location-based) (tCO_2e)	**676**	**5,574**	**6,250**	735	6,294	7,029	833	7,837	8,670
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 market-based) (tCO_2e)	**0**	**5,574**	**5,574**	0	6,294	6,294	0	7,837	7,837
Total Scopes 1 & 2[4]									
Total gross Scope 1 + Scope 2 location-based emissions (tCO_2e)	**1,318**	**45,519**	**46,837**	1,876	48,463	50,339	1,618	47,835	49,453
Total gross Scope 1 + Scope 2 market-based emissions (tCO_2e)	**642**	**45,519**	**46,161**	1,141	48,463	49,604	785	47,835	48,620
Intensity ratio tCO_2e (Scope 1 + 2 market-based) /£100,000 revenue	**0.31**	**5.50**	**4.52**	1.12	6.75	5.69	0.37	12.18	6.04
Total Out of Scope Emissions (tCO_2e)[5]	**0**	**2,390**	**2,390**	0	2,343	2,343	0	2,159	2,159
Scope 3[6]									
Cat 1 Purchased goods & services									497,905
Cat 2 Capital goods									389
Cat 3 Fuel and energy related activities									5,199
Cat 4 Upstream transport & distribution									106,057
Cat 5 Waste generated in operations									205
Cat 6 Business travel									24,996
Cat 7 Employee commuting									2,408
Cat 8 Leased assets									3,751
Cat 9 Downstream transport & distribution									684
Cat 10 Processing of sold products									NA
Cat 11 Use of sold products									7,406,152
Cat 12 End-of-life treatment of sold products									138,062
Cat 13 Downstream leased assets									NA
Cat 14 Franchises									NA

* All emissions have been calculated following to the Greenhouse Gas Protocol (GHG Protocol). Scopes 1 and 2 have been calculated using actual data whereas our scope 3 emissions have been calculated using spend as a proxy and industry average emission factors.

** In FY23 we completed baselining our scope 3 emissions for 2021. We intend to measure and report on our scope 3 emissions annually in future years.

1 Manufacturing divestments in Australia and Nigeria have necessitated a re-statement of our previous year's data (FY22) to ensure like-for-like comparisons with the current reporting year. We have recalculated our emissions from our base year of FY21 and last year (FY22) to reflect this change in our carbon footprint boundary.

2 Previous year data updated in line with the recommendations made from our external GHG inventory verification.

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.

5 Out of scope emissions relate to our use of biomass for the generation of steam in our Kenyan operations.

6 These relate to our value chain emissions. Under scope 3 emissions we report for categories 1-9 (purchased goods and services, capital goods, fuel and energy-related activities, operational waste, business travel, employee commuting, upstream leased assets and downstream transport and distribution) categories 11 and 12 (use of sold products and end-of-life treatment of sold products).

NEW REPORTING METHODOLOGY – GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION*:

	FY23 (current reporting year)			FY22			FY21 (baseline year)		
	UK	Global	Total	UK	Global	Total	UK	Global	Total
Energy consumption used to calculate emissions (MWh)	**6,518**	**169,868**	**176,386**	6,203	177,623	183,826	6,209	158,214	164,423
Scope 1									
Emissions from activities for which the Company owns or controls including combustion fuel & operation of facilities (Scope 1) (tCO_2e)	**642**	**32,912**	**33,554**	1,141	35,145	36,286	785	30,637	31,422
Scope 2									
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 location-based) (tCO_2e)	**676**	**5,569**	**6,245**	735	6,290	7,025	833	7,815	8,648
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2 market-based) (tCO_2e)	**0**	**5,569**	**5,569**	0	6,290	6,290	0	7,815	7,815
Total Scopes 1 & 2									
Total gross Scope 1 + 2 location-based emissions (tCO_2e)	**1,318**	**38,481**	**39,799**	1,876	41,435	43,311	1,618	38,451	40,069
Total gross Scope1 + Scope 2 market-based emissions (tCO_2e)	**642**	**38,481**	**39,123**	1,141	41,435	42,576	785	38,451	39,236
Intensity ratio tCO_2e (Scope 1 + 2 market-based) /£100,000 revenue	**0.31**	**8.61**	**5.96**	0.68	9.80	7.22	0.18	21.55	6.50
Total Out of Scope Emissions (tCO_2e)	**0**	**2,390**	**2,390**	0	2,343	2,343	0	2,159	2,159
Scope 3									
Cat 1 Purchased goods & services									497,905
Cat 2 Capital goods									389
Cat 3 Fuel and energy related activities									5,199
Cat 4 Upstream transport & distribution									106,057
Cat 5 Waste generated in operations									205
Cat 6 Business travel									24,996
Cat 7 Employee commuting									2,408
Cat 8 Leased assets									3,751
Cat 9 Downstream transport & distribution									684
Cat 10 Processing of sold products									NA
Cat 11 Use of sold products									7,406,152
Cat 12 End-of-life treatment of sold products									138,062
Cat 13 Downstream leased assets									NA
Cat 14 Franchises									NA
Cat 15 Investments[1]									496,702

* Scope 1 and 2 emissions excluding PZ Wilmar.

1 Category 15 Investments include emissions associated with the joint venture PZ Wilmar.

Sustainability continued
For Life continued

WASTE

In FY23 we reduced our absolute amount of waste to landfill by 49% compared to FY21. Our factories in the UK have achieved zero waste to landfill. Overall, we are making progress towards our target of zero waste to landfill by 2030 in the markets where appropriate infrastructure exists. 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 continuous improvement programme.

Target	**FY23 current reporting year**	FY22 previous reporting year	FY21 baseline year
By 2030, we aim to send zero waste to landfill in those countries where appropriate infrastructure exists	**-49% reduction from a FY21 baseline**	-20% reduction from a FY21 baseline	141 tonnes

WATER

Reducing the amount of water we use is important. We have a continuous improvement programme in place to ensure we are using it effectively. In FY23 we reduced our water consumption per tonne of finished product by 12% compared to a FY21 baseline. Our absolute water consumption decreased by 13.5% against FY22 and overall by 23% compared to a 2021 baseline. For the first time, we have made a water submission to the Carbon Disclosure Project (CDP) for FY23, with a view to a full and graded submission annually from FY24 onwards.

Target	**FY23 current reporting year**	FY22 previous reporting year	FY21 baseline year
Reduce water intensity by 30% from 2021 baseline by 2030*	**-12% reduction from a FY21 baseline**	-9% reduction from a FY21 baseline	5.64m^3/t of production

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

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. We have been disclosing data on our deforestation impacts since FY22 to CDP.

Targets
Continue to use 100% responsible palm oil in our products (no deforestation, peat or exploitation)
100% of our paper will be certified or recycled by 2025

We continue working towards 100% NDPE (no deforestation, peat or exploitation) palm oil supply, and in FY22 we made a commitment to use 100% certified or recycled paper by 2025.

Our progress in biodiversity and remove the final column as that is a target

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	99.68% of the CPO/PKO we use is fully traceable to mill	93% of the derivatives we use are fully traceable to mill

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD).

As a global consumer goods manufacturer and distributor we will be exposed to physical and transition climate-related risks and opportunities both within our operations and supply chain. We believe that climate change will require us to protect and prepare ourselves as a business, as well as reduce our own contributions to global greenhouse gas emissions and future environmental change. To achieve this, we recognise that it is critical that our stakeholders understand the potential risks and opportunities that climate change presents to our operations, strategy and business viability, and we demonstrate that we are effectively managing these risks and opportunities.

We support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). As a premium listed business with over 500 employees and £500m revenue we are required under FCA Listing Rule LR 9.8.6(8) to provide TCFD aligned disclosures, and by the Companies Act to provide climate-related financial disclosures (CFD). As such, and in line with the BEIS CFD guidance, we have continued to published disclosures aligned to the TCFD recommendations and recommended disclosures, that in doing so, also meet the mandatory CFD requirements. Our TCFD statement complies with all requirements except the following disclosures: metrics & targets (b) and strategy (b & c) as we do not disclose scope 3 for the reporting year and should better link climate risks to critical accounting judgements and provisions, which will also enhance our resilience planning. We do not yet have a transition plan as we only finished establishing our methodology to calculate our scope 3. We intend to disclose our scope 3 emissions for FY22, FY23 and FY24 in our next report and we will start work on a transition plan that we hope to have in place within the next two years. We are currently developing processes and policies in order to integrate all of the above into our planning, and we anticipate becoming fully compliant in the coming years.

GOVERNANCE

Board oversight

PZ Cussons' climate risk is ultimately governed and overseen by the Board via our Environmental and Social Impact Committee. The Board approves and oversees our sustainability strategy, committing the Group to environmental, social and governance performance and delivery against our goals.

The Environmental and Social Impact Committee meets at least twice a year to discuss progress against climate-related KPIs including greenhouse gas emissions, energy consumption, water consumption, waste production and plastic packaging. Climate issues are discussed at least two times per year. The Board has received training on climate change and sustainability matters by our CSO, which we intend to repeat periodically as scientific information and understanding of potential climate change impacts on our business improve. The Board considers climate-related issues when reviewing and guiding mergers and acquisitions. PZ Cussons acquired Childs Farm in 2022 and undertook climate-related risk due diligence before acquisition.

All principal risks are reviewed by the Audit & Risk Committee on behalf of the Board prior to annual reporting. During FY22 we conducted a materiality assessment and identified climate change as a principal risk and component in our sustainability strategy. Each principal risk is owned by a member of the ELT.

The Environmental and Social Impact Committee has the following responsibilities:

1) Reviewing, approving and discussing PZ Cussons' sustainability strategy and goals including climate goals and implementation plans
2) Through the Remuneration Committee, to establish a link between ESG outcomes to LTIP (Senior Management Long-Term Incentive Plan). The ESG component of the LTIP is 20% and is aligned to our ESG goals, including climate commitments, demonstrating how the Board considers the importance of climate-related issues among its performance objectives. Climate commitments, specifically emissions reduction targets, make up one-third of the ESG component of the LTIP
3) Through the Audit & Risk Committee, reviewing and approving reporting plans.

Management's roles and responsibilities

Our Chief Executive Officer and Chief Sustainability Officer (CSO) have overall executive responsibility for our ESG policies and climate commitments, with other management-level individuals holding responsibility for identifying or enacting change related to climate issues within the business such as the Chief Supply Chain Officer (CSCO), the Chief Financial Officer and the Head of Risk. The CSO has responsibility for presenting climate-related issues to the Environmental and Social Impact Committee at least twice per year, and to the Risk Committee before annual reporting. We also set a robust chain of governance working top-down through the Environmental and Social Impact Committee, as described previously, followed by the ELT made up of the CSO, General Counsel, Chief Marketing Transformation Officer, and others; followed by the Sustainability Steering Group, which meets monthly and includes a management representative from each market and each function.

Sustainability continued
For Life continued

Taskforce on Climate-related Financial Disclosures (TCFD) continued

PZ Cussons has also established a dedicated TCFD working group which is made up of the CSO and additional management level representatives from Finance. This group was directly consulted as part of the development of our TCFD and provided feedback and recommendations to enhance the quality and consistency of our disclosures.

Strategy

We have identified climate change as a sustainability and environmental principal risk; in order to better understand the potential impacts, we have conducted quantitative scenario analysis of physical and transition risks over the short, medium and long term, to stress test the resilience of our business, under a range of future climate scenarios. As an international consumer goods business with main markets in the UK, Nigeria, Indonesia and Australia, our business is exposed to multiple and varying geographical physical and transition risks. The nature of our business means that we have offices and manufacturing facilities spread globally which further increases our relative exposure to physical risks like extreme weather and transition risks including changing regulatory environments.

Time horizons: We have assessed potential impacts across three separate time horizons (short/medium/long term) according to our current targets, commitments and useful asset lives. We have selected these horizons in accordance with TCFD and relevance to our business as explained below.

- Short – Mid-2020s, which is linked to our short-term financial planning horizons
- Medium – Mid-2030s, which is linked to our medium-term commitments and targets
- Long – Mid-2040s, which is linked to the operational lifetime of our existing assets and our net zero commitment.

Scenarios: We have assessed potential impacts across two future scenarios covering physical and transition risks and opportunities that may impact our business in the future.

1) **Net zero scenario:** The low carbon revolution is an ambitious scenario that limits global warming to <2°C by 2100 through stringent and immediately introduced climate policies and innovation, reaching net zero CO_2 emissions around 2050. It is linked to RCP2.6, involves more transition risks early on, but manages to limit physical risks to a minimum (NGFS Scenario: Net Zero 2050).

2) **Current policies:** Assumes that only currently implemented policies are preserved. World does not cut emissions and climate change accelerates causing 2.5°C of warming by 2050 and >4°C by 2100 bringing irreversible changes. It is linked to RCP8.5, involves little to no transition risks early on, but results in irreversible and globally disrupting physical risks (NGFS Scenario: Current Policies).

Transition risks were assessed considering possible risks and opportunities for PZ Cussons over the short, medium and long-term resulting from economic, market and regulatory changes. Financial modelling has been conducted for these transition risks using available PZ Cussons data; and assumptions and external data from sources including: the International Energy Agency (IEA), the Network for the Greening the Financial System (NGFS), International Institute for Applied Systems Analysis preparing the Shared Socio-economic Pathways (SSP) and the Intergovernmental Panel on Climate Change (IPCC).

Physical risks were assessed by modelling the exposure of PZ Cussons' facilities across manufacturing, storage and distribution operations with the assistance of a third-party provider, leveraging tools and models developed for the insurance industry integrating climate projections. 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 two physical risk scenarios, specifically RCP2.6 and RCP8.5. We will continue to analyse the detail of these physical risks, the resilience of the organisation and putting in place mitigation plans which will be disclosed in ARA24.

Considering risks on our business, strategy and financial planning

Climate risks have been considered through our financial modelling of transition and physical risks for FY23, to establish the relative low/medium/high impact on the business over three different time horizons and two scenarios. We have considered the impact of the identified climate-related risks and opportunities on the business and strategy, and embedded mitigating actions among our transition risks and opportunities in Table 1 to manage potential risks and capitalise on potential opportunities. PZ Cussons is undertaking further analysis to fully embed climate risks into the business and strategy, especially within the financial planning processes, and will aim to disclose how these risks are considered in our financial planning processes in future disclosures.

We are continually reviewing, updating, and enhancing our understanding of climate-related risks and opportunities and the resultant impacts on our business in light of external trends, new information, and changes to our business. We will continue to assess changes to our overall resilience as our understanding of climate-related risks and opportunities matures, and if our business strategies change. We are in the process of developing our transition plan in line with Transition Plan Taskforce (TPT), see page 35, which describes our progress to date against our climate-related targets and our initiatives for reducing carbon emissions.

Based on the results of our risk assessment and scenario analysis. We believe that the mitigation plans that are in place and further mitigation actions will provide business and organisational resilience to our short-medium-term risks, including under a <2°C scenario (our Net zero scenario) and we consider our strategies to be appropriate to manage our identified risks. We will continue to assess our climate-related risks and opportunities under different scenarios and determine our overall resilience, as we acknowledge that changes to both internal and external factors over time will impact the resilience of our business strategies to climate change.

RISK MANAGEMENT

Climate risks are integrated into our overall risk management process. Our risk management process is based on a common risk framework to ensure we identify, assess and mitigate all risks i.e., product safety and quality, health and safety, cybersecurity, legal compliance, climate change, environmental and regulatory compliance risks that threaten the successful delivery of our strategic objectives. You can find full details on our risk management process on pages 58 to 71 of this report.

Specifically, our Risk Management Methodology on page 59 describes our processes for identifying, assessing and mitigating all risks, including climate-related risks. We also identify new and emerging risks through a number of channels that are listed on page 60. Climate change forms part of our sustainability and the environment principal risk, with further information on how we manage this risk provided on page 67.

Table 1: Material risks and opportunities

PHYSICAL RISKS

ST **Short-term** MT **Medium-term** LT **Long-term**

PZC operations physical impacts

Time horizon: MT LT

Description of material risk or opportunity: Business interruption of PZC's operation caused by climate change impacts, such as extreme heat, extreme rainfall, heat stress, precipitation stress, drought stress, fire, sea level rise.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	Relative impact 2035	Relative impact 2045	How we're responding
PZC's direct operations might be affected by physical impacts which may lead to increased costs for repair/retrofit of impacted assets and decreased revenue as a result of operational outages.	Exposure of each asset determined based on location and the severity/intensity of a climate hazard occurring at each location, with the value exposed being the full asset value located in an area of material climate hazard intensity.	Net zero	L	H	H	PZC will continue to 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. **Highest exposure countries:** Nigeria, Indonesia
		Current policies	L	H	H	

Supplier operations physical impacts

Time horizon: LT

Description of material risk or opportunity: Business interruption of PZC's suppliers operations caused by increased frequency and severity of flood risk.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	Relative impact 2035	Relative impact 2045	How we're responding
PZC's supply chain might be disrupted by physical risks resulting in increased costs and loss of revenue due to changes in the availability of goods and services from suppliers.	Exposure of each asset determined based on location and the severity/intensity of a climate hazard occurring at each location, with the value exposed being the full asset value located in an area of material climate hazard intensity.	Net zero	L	H	H	PZC analyses exposure for a range of acute climate risks and put mitigation plans in place. Further mitigation actions will provide business and organisational resilience to acute/chronic risks. Alternative suppliers with lower exposure to climate risk might be taken into consideration to mitigate the risk into the future. **Highest exposure countries:** China, Taiwan
		Current policies	L	H	H	

Sustainability continued
For Life continued

TRANSITION RISKS

Carbon pricing – Scope 1 & 2

Time horizon (Scope 1 & 2): ST MT

Description of material risk or opportunity: Increased costs associated with carbon pricing and taxation.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	2035	2045	How we're responding
Carbon pricing already exists in some of the jurisdictions PZC operates in, including the EU and UK. Under different scenarios, carbon taxes are expected to increase, which could increase PZ's direct operating costs resulting in loss of revenue.	Carbon prices from NGFS applied to our long-term emissions forecasts.	Net zero	L	L	M	In our sustainability strategy we are setting ambitious targets, see page 36, to reduce GHG emissions throughout our value chain, reducing our dependence on 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. **Highest exposure countries:** Nigeria
		Current policies	L	L	L	

Carbon pricing – Scope 3

Time horizon (Scope 1 & 2): ST MT

Description of material risk or opportunity: Increased costs associated with carbon pricing.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	2035	2045	How we're responding
See scope 1 above.	*See scope 1 above.*	Net zero	L	H	H	*See scope 1 above.*
		Current policies	L	L	M	

Extended producer responsibility

Time horizon: ST MT

Description of material risk or opportunity: Introduction of carbon footprint labelling and Extended Producer Responsibility (EPR).

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	2035	2045	How we're responding
Increasing regulatory pressure and taxes regarding the sustainability of materials used in the manufacturing of products may impact asset values and revenues through decreased capacity.	Estimated EPR costs applied to our long-term packaging forecasts.	Net zero	L	H	H	We monitor regulatory developments and work with the wider industry to prepare. Last 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. **Highest exposure country:** UK
		Current policies	L	L	L	

Cost of energy

Time horizon: ST MT

Description of material risk or opportunity: Abrupt and unexpected shifts in energy costs.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	2035	2045	How we're responding
PZC anticipates higher levels of energy price volatility. This will impact energy costs associated with PZC's operations, which will also affect our supply chain resulting in increasing costs and loss of revenue.	Energy prices from NGFS applied to our long-term energy forecasts.	Net Zero	L	L	L	To minimise the risk of increased cost of energy, we continue to incorporate energy reduction initiatives across our sites. Through our continuous improvement programme in our factories, we continue to incorporate energy reduction initiatives across our sites. **Highest exposure country:** Nigeria
		Current Policies	L	L	L	

OPPORTUNITY

Energy efficiency — Time horizon: ST MT LT

Description of material risk or opportunity: Reduced energy costs through efficiency gains and cost reductions.

Potential financial impact	Modelling approach	Scenario	Relative impact 2025	Relative impact 2035	Relative impact 2045	How we're responding
Reduced energy costs may decrease PZC's operational costs.	Energy prices from NGFS applied to our long-term energy forecasts.	Net zero	L	L	L	We will continue to further improve the energy efficiency of our assets and our suppliers through our continuous improvement programmes, which will also result in lower operational costs. For example, in FY22 we completed a review of our shrink tunnels on our packaging lines to optimise energy efficiency to give an annual energy saving of 50,000 kWh/year. **Highest exposure country:** Nigeria
		Current policies	L	L	L	

RELATIVE FINANCIAL IMPACT LEGEND – PER ANNUM IMPACT

We define low/medium/high relative impact based on the net profit financial impact thresholds from our Risk Management Methodology:

L Low risk	Insignificant – Moderate financial impact: <5% net profit
M Medium risk	Major financial impact: >5% and <10% net profit
H High risk	Severe financial impact: >10% net profit

Metrics and targets

We consider greenhouse gas emissions, energy consumption, landfill waste, water consumption, and packaging data metrics as principal metrics allowing us to monitor progress regarding climate-related risks and opportunities. These climate-related metrics are incorporated into remuneration policies, and relevant targets were met during the FY23. The whole executive leadership team's LTIP, including the CSO, have a climate mitigation goal in the form of an emissions reduction target linked to their remuneration. The climate goals are long term and success is demonstrated by progress against the trajectory we have committed to.

We will continue to ensure our metrics and targets are appropriate for our risk profile and will expand our metrics in the future taking into consideration the TCFD all sector and cross-industry metric guidance. We currently use our existing environmental metrics to track progress against our targets, and are in the process of developing KPIs aligned to our climate-related risks and opportunities to enable us to better track and manage these over time. Full details on our metrics and targets, including the KPIs we use to track progress against our targets, can be found on page 49 of this report.

We do not currently have an internal carbon pricing mechanism, however, we will continue to assess the feasibility of introducing one to mitigate our external exposure to carbon taxation and legislation.

Sustainability continued

FOR GOOD

We behave ethically as a business, through the decisions we make and through our corporate and environmental and social impact governance processes.

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 our statement of ethical principles and the behaviours expected across the business. It provides rules and guidance to ensure we comply 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 also sets out our position on animal testing, anti-slavery and forced labour, supply chain due diligence, our responsibilities towards our employees, the prevention of financial crime (including zero tolerance of all forms of bribery and corruption and the prohibition of payment of bribes, kickbacks, and facilitation payments) 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 pages 96 to 101 of this report.

In FY23 we conducted a Code of Ethical Conduct confirmation survey which was completed by all eligible employees. The confirmation sought feedback on the level of embeddedness of our Code and how well it was understood across our business. The feedback showed a strong understanding of the Code and the procedures in place to make whistle-blowing reports.

As part of the new joiner process and with the use of Workday and Trace International LMS portal, we have now implemented a process that requires all new joiners to confirm that they have read the Code and complete the ABC training within their first month. Additional face-to-face training on the Code was also conducted in high-risk markets by the Head of Ethics & Compliance and local compliance champions. Face-to-face training was conducted for employees at a number of our factory sites, with over 600 employees attending.

MODERN SLAVERY ACT AND SUPPLIER CODE OF CONDUCT

Our Slavery and Human Trafficking Statement sets out our commitment to detecting and preventing the use of all forms of slavery in our supply chain. It is 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. In FY23 we published our first Human Rights Position Statement which can be found on our website. All suppliers are encouraged to submit to third-party rating programmes such as SEDEX.

Our SCOC incorporates our Modern Slavery Act statement and mirrors our ethical principles set out in the Code of Ethical Conduct, requiring our suppliers to adhere to the same standards to which we hold ourselves, including but not limited to, compliance with relevant laws and regulatory standards in all countries in which we operate. 90% of our direct suppliers have signed it and 95% of our high-value vendors have agreed to the SCOC or demonstrated they maintain an equivalent code within their business.

In FY23 we published our Supplier Sustainability Charter, which is a statement of key principles around supplier sustainability behaviour. It builds on our Supplier Code of Conduct to encourage more sustainable behaviour in our supply chain and can be found on our website.

All new suppliers are subject to pass through a third-party risk centre platform that conducts due diligence, which is implemented by Dow Jones. 100% of our new suppliers have done so and all high-risk suppliers have been issued with a questionnaire requiring further information before being considered for approval or rejection by our procurement teams.

In parallel, we plan to reduce the number of suppliers we work with to improve governance and control. We also monitor and report twice a year on our performance against our No Deforestation, No Peat, No Exploitation (NDPE) commitment in relation to the palm oil we purchase and use.

Important Notice Disclaimer: The companies in which PZ Cussons plc directly and indirectly has an interest are separate and distinct legal entities. In this document, 'PZ Cussons' and 'Group' are used for convenience only where references are made to PZ Cussons plc and its subsidiaries in general. These collective expressions are used for ease of reference only and do not imply any other relationship between the companies. Likewise, the words 'we', 'us' and 'our' are also used to refer collectively to members of the Group or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

PeTA APPROVED
Global Animal Test Policy

Animal testing

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 must 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. In the UK, all our personal care products are accredited by the Vegan Society, meaning they are free from animal ingredients, and we are a partner of PETA's Beauty Without Bunnies Programme, meaning that all personal care and beauty brands are certified as free from animal testing. This year we are working to incorporate our major Australian brands into the programme.

For more detail on our policies and practices, see our website:
www.pzcussons.com/sustainability/policies-and-disclosures

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 page 35 Our Environmental and Social Impact framework and governance can be found on page 27 Our Environmental and Social Impact 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 page 40. 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 page 44
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 page 30
1(d)	Human rights	See page 40, 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 40
2(a)	Business model	Details of our business model can be found on page 14
2(d)	Principal risks	Our principal risks are set out on page 61 and our approach to risk management is set out on page 58
2(e)	Non-financial key performance indicators	Our primary non-financial key performance indicators are set out on page 51

Section 172(1) Statement

CREATING A DIALOGUE WITH OUR STAKEHOLDERS.

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

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.

THE IMPACT OF STAKEHOLDER ENGAGEMENT ON BOARD DECISION-MAKING

We make use of various engagement channels to receive informative feedback from our key stakeholders which can be factored into our principal decisions and activities.

Section 172(1) of the Companies Act 2006 (Section 172(1)) 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.

The table below demonstrates where you can read more detail in this Annual Report and Accounts on how the Board has discharged its Section 172(1) duty this year. The Directors, both individually and collectively, believe they have given due regard to the stakeholders and matters set out in Section 172(1) (a) to (f) as listed below:

Section 172(1) factor (a) to (f)	Relevant disclosures	Page number or website
(a) Consequence of any decision in the long-term	• Company values • Our business model • Our strategy • Board activity	Page 9 Page 14 Page 18 Page 80
(b) the interests of the company's employees	• People and culture • Diversity and inclusion • Environmental and Social Impact Committee Report • Board activity	Page 24 Page 25 Page 102 Page 80
(c) the need to foster the company's business relationships with suppliers, customers and others	• Sustainability Report • Modern Slavery Statement • Board activity	Website Website Page 80
(d) the impact of the company's operations on the community and the environment	• Sustainability Report • Modern Slavery Statement • Board activity • Palm oil promise	Website Website Page 80 Website
(e) the desirability of the company maintaining a reputation for high standards of business conduct	• Modern Slavery Statement • Anti-Bribery and Corruption Policy	Website Website
(f) the need to act fairly as between members of the company	• Shareholder engagement • AGM • Remuneration Policy • Voting rights	Page 45 Page 79 Page 110 Page 131

For further details on our Sustainability reporting and Palm oil promise, see our website **www.pzcussons.com/sustainability/policies-and-disclosures**

For our Modern Slavery Statement and Anti-Bribery and Corruption policy, see our website **www.pzcussons.com/sustainability/for-good**

Section 172(1) Statement continued

The following table shows how our stakeholders are integral to delivering our strategy. We have grouped our stakeholders into five key categories and provided an overview of why we value them, the key priorities to our stakeholders and the ways in which the Group, and the Board in particular, have engaged with them during this financial year.

	Customers and Consumers	Employees
WHY WE ENGAGE	• To ensure loyalty and trust • To continue delighting consumers • To help our portfolio to win • To create enthusiastic consumers and advocates for our brands.	• To create a supportive environment • To value ideas equally • To maintain an open culture • To foster genuinely open communication • To develop engaged employees.
KEY PRIORITIES	• Environmental sustainability and transparency in the supply chain • Customer service • Access to our products through digital channels • Value and costs.	• Strategy • Purpose and values • Safety and wellbeing • Career development and learning • Ways of working.
HOW THE GROUP ENGAGES	• Strategic partnership with key customers: – shopper insights – proposing promotions and products – assisting with developing strategies. • Market research • Social media • Direct feedback • Sales data.	• Local and global 'Town Hall' meetings • Functional webcasts • Leadership events • Celebrating our culture event • Future Ready Summit held in October 2022, where 80 senior leaders and high potential employees from around the world.
BOARD ACTIVITY/ HOW THE BOARD ENGAGES	• Visit all markets and meet with customers and consumers on an ad hoc basis during site visits • The Board receives regular market reviews from business unit leadership teams • Reviewing customer service, consumer insights and data as part of monitoring business performance.	• Kirsty Bashforth, a Non-Executive Director, is our employee engagement champion, with a specific mandate to ensure the Board hears and understands the employee voice • Our Directors travel to our markets when possible and hold dedicated employee engagement sessions on such trips.
STRATEGIC OBJECTIVE		
PRIORITIES FOR THE YEAR AHEAD	• To improve our operational dashboard to facilitate the Board's oversight of how we serve customers and consumers and continue to increase household penetration.	• Succession planning and ensuring a robust talent pipeline of diverse talent throughout the Group • To continue to work with ELT to define our Diversity, Equity and Inclusion strategy and implementation plans.

Linking to our strategic objectives

Build Brands · Serve Consumers · Reduce Complexity · Develop People · Grow Sustainably

Investors	Distributors and Suppliers	Communities
• To understand their investment objectives and goals • To pursue our strategic objectives • To help move the Company forward.	• To ensure our supplier relationships remain as long-term partnerships • To create and sustain robust, lasting and mutually beneficial relationships.	• It is of utmost importance that we develop good relations with the local communities where we operate • To make a positive contribution to society • To minimise any negative impacts from our operations.
• Financial and operating performance of the business • Purpose, values and culture of the business • Risks and opportunities • Long-term sustainable and profitable growth • Sustainability issues • Capital allocation decisions • Good governance.	• To ensure stable, long-term and mutually beneficial relationships • Not to increase costs • To ensure product and service quality • To be innovative.	• To reduce the environmental impact of our products (packaging and formulation) • To reduce our carbon emissions • To be aware of cost-of-living and living standards.
• Q&A sessions and roadshows for our major shareholders • Ad hoc investor events • Our annual general meetings are an opportunity to listen to our shareholders and respond to any concerns they may have or perspectives they may wish to share • Our dedicated Investor Relations Director whose purpose is to strengthen our engagement with the investment community.	• The Board engages via a dedicated procurement function • The Board ensures open, dynamic communication.	• We continue to support the Foodbank in Australia • The PZ Cussons Nigeria Foundation supported the construction of a computing centre for a school in Agbor Delta State.
• The Chair and our Executive Directors periodically meet with our major shareholders • The CEO and CFO deliver the Group's interim and final results, with presentations • Our Board members and our Company Secretary attend the AGM • The Chair, the Senior Independent Director and the Company Secretary are available at all times to hear any concerns raised by shareholders.	• The CFO reviews payment practices and policies and monitors trends in the Company's performance twice yearly, reporting to the Audit & Risk Committee • CEO and CFO engage directly with distributors and suppliers.	• The Board approved the environmental and social impact framework 'Better for all' and controls its direction of travel • Creation of a Board committee responsible for sustainability • Two of our ELT positions have been taken up by local nationals, who were promoted from within.
Build Brands, Serve Consumers, Reduce Complexity, Develop People, Grow Sustainably	Serve Consumers, Reduce Complexity	Grow Sustainably
• To debate and set the next phase of our strategy focusing on strategic growth options and the journey from turnaround to transformation.	• To improve Board materials and data presentation to facilitate the Board's oversight of operational performance ensuring we are serving our customers and optimising our supply chain • To continue to work with ELT to drive our supply chain transformation programme.	• To encourage Board travel to our priority markets to engage with our Community stakeholders • To continue the Environmental and Social Impact Committee's work progressing along the B-Impact Assessment • Continue to ensure that the voice of our communities are reflected in Board deliberations and decision-making.

Section 172(1) Statement continued

PRINCIPAL DECISIONS IN FY23

The Board considers all its duties under the Companies Act 2006 including Section 172(1) factors (a) to (f) and many other factors in all of the decisions it makes. Principal decisions are explicitly framed in the context of the interests of and implications for all affected stakeholders. In FY23, 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: Supply Chain Transformation

This year we have made significant strategic progress in our drive to reduce complexity. We have completed a number of projects within our Supply Chain Transformation programme which have simplified operations in accordance with the agreed strategy. This has seen significant changes including the movement of our procurement 'hub' from Singapore to the UK and also the closure of our in-house fragrance supply house and planned closure of our Thai soap factory.

In making the decision, we considered:

The long-term effect

At the forefront of the Board's decision-making is the long-term interests of our stakeholders. While decisions concerning disposals or closures are taken with the utmost thought and care given the potential impact to employees, there must also be consideration of the long-term consequences of these projects in accordance with the Group's strategy. The continuation and completion of our Supply Chain Transformation programme shows a demonstrated commitment and support of the agreed strategy in reducing complexity and enabling sustainable, profitable growth.

Affected stakeholder groups

Customers and consumers
Our simplification work across the Group supports us to look for opportunities to scale and also strip out unnecessary costs that our customers and consumers do not value, while working to ensure we do not compromise on quality. We also look for significant improvement in sustainability credentials relevant to the local market. Increased agility allows us to respond at pace to changing customer and consumer needs.

Employees
The Board carefully scrutinised plans for how to manage impacted employees and challenged management to consider whether employees could be relocated. A programme of communications activity was put in place to ensure that leaders were visible and in regular dialogue with impacted colleagues. Where applicable, retention bonuses were offered to maintain operational efficiency, for example, during the gradual closure of the Thai factory, and relevant career support suited to the role. Where relevant we also notify other colleagues in the Group about changes being made, so that they understand why they are happening and can ask questions.

Investors
Our investors want improved financial performance and a plan for long-term, sustainable growth. The annualised benefits arising from activities in the Supply Chain Transformation programme were an important part of the decision-making process. Reallocation of Capex (capital expenditure) will also go into strengthening supply chains and brand investment.

Distributors and suppliers
In connection with all aspects of our Supply Chain Transformation programme, a comprehensive plan to migrate production volumes to third-party sources closer to end markets was mapped out and planned. The outsourcing of our soap finishing operations is a further step in the simplification of supply chains, driving efficiencies across markets and significant improvement in sustainability credentials and lower end-to-end supply chain costs.

Community
An assessment is always made of any impact to a community most local to our sites as part of the programme. In the decision to announce the closure of our Thai operations, the announcement was timed to avoid local holidays and to minimise community impacts.

The environmental impact

Delivery of our sustainability ambitions are central to all Supply Chain activities and decisions. By way of example, the planned closure of our Thai soap factory will see shortened manufacturing lead times and reduce freight usage.

The impact on our reputation and the need to act fairly

The continuation and implementation of the pillars within our Supply Chain Transformation programme demonstrate the strength of our commitment to our strategy and our values.

Principal decision 2: Appointment of the new Chair

As a result of Caroline Silver stepping down as Chair following completion of her 9 years of service to the Board, a selection process was commenced to appoint a successor. We welcomed David Tyler as Non-Executive Director in November 2022, and subsequently as Chair in March 2023. For full details of the appointment process see the Nomination Committee Report on page 90.

In making the decision, we considered:

The long-term effect

In setting the criteria for selection of the new Chair, the Board considered the skills and attributes that would be necessary to deliver our long-term strategy and to preserve our culture and values.

Affected stakeholder groups

Employees
The Chair is the head of governance for the Group. David's wide experience ensures he is an exceptional role model for the Board and the workforce as a whole, his appointment as Chair of the Parker Review on ethnic diversity being testament to that fact. The Parker Review is a Government-backed independent body which sets targets to improve ethnic diversity of UK Boards and senior management teams in order to enhance the effectiveness of business and to reflect better the ethnic diversity of the UK population as a whole.

Investors
The Chair represents the Board as a whole and is often the face of communication for investors. The Chair manages Board meetings to ensure the effective implementation of the Group's strategy for the long-term benefit of its stakeholders. David has strong experience acting as Chair including for J Sainsbury plc, Logica plc, Hammerson plc, Domestic & General Group, 3i Quoted Private Equity Plc, and the White Company. He has also been a Non-Executive Director at Experian plc, Burberry Group plc and Reckitt Benckiser Group plc.

Customers and consumers/distributors and suppliers
The Chair leads the Board, sets its agenda and ensures there is effective leadership at the head of the Group to implement its strategy for the benefit of all its stakeholders of which customers and consumers are key. David has nearly 50 years of commercial experience which included large operational responsibilities in his executive career.

Community
The Chair is responsible for the governance of the organisation and with that role will set the tone on all environmental and social issues.

The environmental impact

The Board is vital in ensuring both the long-term sustainable success of the business and ensuring that we continue to focus on improving our environmental and social impacts to deliver better results for all our stakeholders. As head of the Board, we have chosen a Chair whose passion for sustainability aligns with our own.

The impact on our reputation and the need to act fairly

The Chair is often seen as the spokesperson for the Group and it was imperative in this position that we found a Chair with a strong history of executive and non-executive appointments and who understood the listed company environment and was respected in the industry and therefore able to continue to protect the reputation of the Group and to ensure that the Board acted fairly in all instances.

Section 172(1) Statement continued

Principal decision 3: Launch of Morning Fresh auto dishwashing tablets

FY23 marked a significant move into an adjacent kitchen segment in ANZ and was a key area of debate and planning for the Board. We were delighted to be able to take Morning Fresh (Australia's number 1 dishwashing liquid brand) beyond the sink as part of a broader strategy to continue the brand's strong growth and longevity.

In deciding whether to enter the auto dishwashing tablet market, we considered:

The long-term effect

Extending and establishing ourselves in adjacent kitchen segments that are in strong growth is part of our broader strategy for sustainable profitable revenue growth.

Affected stakeholder groups

Customers and consumers
Morning Fresh is a loved and trusted brand known for outstanding cleaning performance. Extensive consumer research confirmed that consumers wanted and desired an auto dishwashing tablet product from Morning Fresh. The Board specifically challenged management on whether we could deliver a product that performs up to the Morning Fresh standard, as a brand that stands for high performance in its core offering.

Employees
One of the Board's considerations in approving the launch was the strength of the team in our ANZ operations and a desire to provide additional investment to demonstrate continued commitment to the team and the ANZ market.

Investors
Our investors want long-term, sustainable growth. The auto dishwashing category is a high-value category that continues to grow strongly. Leveraging Morning Fresh's brand strength and equity in liquid dish care to capture our share of this segment is key to continued growth.

Partners and suppliers
We partner with large retailers to grow our business and theirs. The competitive landscape in Australia for auto dishwashing tablet products is concentrated, with over 90% of the market dominated by two key competitors. Providing our retail customers with additional choice and insights will help drive category growth and sales to our mutual benefit.

Community
The ANZ business has a longstanding relationship with Foodbank (Australia's largest hunger relief charity and critical provider of disaster relief support). In FY23, we were recognised as an official Foodbank Disaster Relief Partner and Purchasing Partner. The success of Morning Fresh auto dishwashing tablets enables us to continue our strong support of this important charity.

The environmental impact

Dishwashers are generally more environmentally-friendly and sustainable than hand washing dishes in a sink. In particular, our Morning Fresh auto dishwashing liquid products contain biodegradable ingredients and are designed so that no pre-rinsing is required. As we continue to expand and innovate in this space, we will look at furthering sustainability credentials for our Morning Fresh auto dishwashing products.

The Board carefully scrutinised the executive proposal, including challenging the marketing and launch plans, the interests of our key customers in the retail trade and the sustainability of supply, and ultimately the ability to produce a product that met the needs of our consumers. Following a thorough debate, the Board was delighted to support the launch.

The impact on our reputation and the need to act fairly

Moving into the auto dishwashing segment demonstrates the strength of our commitments – to our 'Must Win Brands' and overarching goal of sustainable profitable revenue growth.

HOW WE MEASURE OUR PERFORMANCE.

PERFORMANCE HIGHLIGHTS

We have made further progress against key financial measures against a backdrop of challenging trading conditions.

Revenue (£million)

£656.3m

2023	£656.3m
2022	£592.8m
2021	£603.3m

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

Statutory operating profit margin (%)

9.1%

2023	9.1%
2022*	11.1%
2021*	12.1%

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

Adjusted basic earnings per share from continuing operations[1] (p)

11.23p

2023	11.23p
2022*	12.57p
2021*	12.98p

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

Why we measure
A key indicator of value enhancement to shareholders

LFL revenue growth[2] (%)

6.1%

2023	6.1%
2022	2.9%
2021	7.1%

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

1 Further details on adjusting items are set out in note 3 of the consolidated financial statements.
2 Definitions of key terms are provided in the Glossary on page 222.
* Certain figures for each of the years ended 31 May 2021 and 31 May 2022 have been restated. Refer to note 1(c) of the consolidated financial statements for details.

LFL revenue growth

6.1%

Key Performance Indicators continued

PERFORMANCE HIGHLIGHTS CONTINUED

Adjusted net cash/(debt)[1]
(£million)

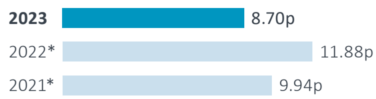
£5.7m

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

Statutory earnings per share
(p)

8.70p

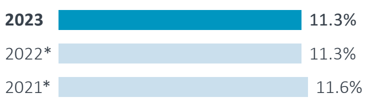


Definition
Basic earnings per share from continuing operations

Why we measure
A key indicator of value enhancement to shareholders

Adjusted operating profit margin[2]
(%)

11.2%

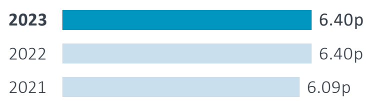


Definition
Operating profit from continuing operations before adjusting items as a % of revenue

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

Dividend per share
(p)

6.40p



Definition
Dividend per share

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

1 Further details on adjusting items are set out in note 3 of the consolidated financial statements.
2 Definitions of key terms are provided in the Glossary on page 222.
* Certain figures for each of the years ended 31 May 2021 and 31 May 2022 have been restated. Refer to note 1(c) of the consolidated financial statements for details.

Adjusted operating profit margin

11.2%

SUSTAINABILITY HIGHLIGHTS

Employee wellbeing score

81%

Read more on **page 24**

Virgin plastic reduction of

7.8%

Read more on **page 30**

>90%

Suppliers signed our supplier code of conduct

Read more on **page 41**

Free cash flow

£69.9m

Financial and Operating Review

GROUP PERFORMANCE

OVERVIEW OF GROUP FINANCIAL PERFORMANCE

We have delivered a solid financial performance in the context of ongoing external volatility and uncertainty. Input cost inflation remained high for much of the year, with approximately £80 million of total inflation over the last three years, and consumer spending remained under pressure in most of our markets. Against this backdrop, we have managed to broadly maintain our adjusted operating profit margin in FY23, as higher gross profits were invested behind strategic capabilities and Brand Investment.

Revenue grew 10.7%. This was driven by LFL revenue growth of 6.1% (£36.9 million), which reflected price/mix growth of 12.1% and volume declines of 6.0%. Childs Farm, which was acquired in March 2022, contributed £10.9 million to revenue growth, and translational FX movements, reflecting a weakening of sterling against most reporting currencies, contributed £15.7 million. We saw growth in most of our Must Win Brands, with Carex, Sanctuary Spa and Cussons Baby declining during the year. LFL revenue growth in the fourth quarter of the year was 6.7%, driven by an 11.2% improvement in price/mix and a 4.5% decline in volume.

Adjusted operating profit margin declined by 10bps as a combination of successful innovation, RGM activity and productivity initiatives drove a gross profit margin increase of 80bps, funding investment in capabilities. Adjusted EPS declined by 10.7% as 12.6% growth in adjusted profit before tax was more than offset by an increased tax charge and an increased non-controlling interest, each reflecting the growth in operating profit in our Nigerian business. On a statutory basis, the operating margin declined 200bps due to the increased investment in transformation costs and the impairment of Sanctuary Spa (see note 3), leading to a decline in EPS from continuing operations of 26.8%.

Cash flow remained strong, with free cash flow of £69.9 million (FY22: £58.0 million) primarily driven by improved working capital. Our adjusted net cash was £5.7 million. This includes cash of approximately £200 million within Nigerian entities which has been built up as a result of the challenges in repatriating cash outside of the country . The Board have recommended a final dividend of 3.73p, which is unchanged on the prior year, reflecting the material adverse impact the devaluation of the Naira is expected to have on the near-term reported financial performance.

In preparing the Group financial statements for the year ended 31 May 2023, management identified prior year adjustments relating to accounting for impairment on capitalised software in 2020 and the acquisition of Childs Farm. These adjustments result in a £0.6 million increase in total assets and a £0.6 million reduction in profit for FY22. Further information on the nature of these items is provided in note 1.

1 Based on the 31 May 2023 balance sheet NGN/GBP rate of NGN577.

PERFORMANCE BY GEOGRAPHY

EUROPE AND THE AMERICAS (31.4% OF FY23 GROUP REVENUE)

£m, unless otherwise stated	FY23	FY22	Reported growth/ (decline) (%)
Revenue	**205.8**	193.0	6.6%
LFL revenue growth	**(0.5)%**	(12.3)%	n/a
Adjusted operating profit	**29.3**	35.0	(16.3)%
Margin	**14.2%**	18.1%	(390)bps
Operating profit	**0.4**	22.9	(98.3)%
Margin	**0.2%**	11.9%	(1,170)bps

Revenue grew 6.6%, driven by £10.9 million revenue contribution from the acquisition of Childs Farm and favourable foreign exchange movements, more than offsetting a 0.5% LFL decline in revenue, which was driven principally by a decline in Carex. LFL revenue growth improved materially in the second half of the year, reflecting price/mix action taken earlier in the year and improved volume trends in most of the brands.

The UK washing and bathing category – the largest category in Europe and the Americas – declined in value terms by 3%[2] in the year as consumers sought to reduce spending against high inflation and squeezed household budgets. Within the category, the hand hygiene and bath segments were down, while we saw good growth in shower and bar soap.

Reflecting these underlying trends, Sanctuary Spa saw revenue decline as the re-staging of the brand fell below our expectations. Carex hand sanitiser volumes fell significantly, but revenue trends improved in the second half of the year.

We saw very strong, volume-driven revenue growth in Original Source as it took share in the shower category. This performance was driven by its successful '360' marketing throughout the year, incorporating digital and out-of-home activity, building on the success of last year's TV campaign and funded by increased overall Brand Investment. Following the successful re-staging of Imperial Leather, together with the launch of our new value brand Cussons Creations, the two brands combined grew revenue compared to Imperial Leather alone last year and represents the first year of growth for the brand in a number of years, with gains in both market share and distribution points.

Total St. Tropez revenue grew strongly, driven by significant share gains in the US following a launch of the Luxe Serum innovation in February, supported by our brand ambassador Ashley Graham and which created a wider halo effect for the brand in the second half of the year. The US also continued to benefit from the distribution gains made during FY22. Trading in the UK was, however, more challenging.

Childs Farm revenue grew 12% in the first full year of our ownership. This has been driven by a renewed focus on the brand proposition, innovation such as SlumberTime and increased distribution in the UK, which has increased by over 20% since acquisition.

Following a significant decline in the first half of the year, the adjusted operating profit margin improved in the second half of the year, resulting in a decline of 390bps for the year as a whole. This reflected the full-period effect of price/mix actions taken in the first half of the year, lower levels of cost inflation and more normalised Brand Investment. The margin was also lower as a result of the contribution of Childs Farm which, reflecting its investment phase, was slightly loss-making during the year. On a statutory basis, the operating profit margin declined by 1,170bps primarily as a result of the Sanctuary Spa impairment.

ASIA PACIFIC (29.1% OF FY23 GROUP REVENUE)

£m, unless otherwise stated	FY23	FY22	Reported growth/ (decline) (%)
Revenue	**190.7**	173.8	9.7%
LFL revenue growth	**4.4%**	3.0%	n/a
Adjusted operating profit	**27.5**	20.9	31.6%
Margin	**14.4%**	12.0%	240bps
Operating profit	**29.6**	37.0	(20.0)%
Margin	**15.5%**	21.3%	(580)bps

Revenue grew 9.7% as a result of LFL growth of 4.4% and favourable movements in foreign exchange. LFL revenue growth was driven by double-digit price/mix improvements.

In Hygiene, Morning Fresh extended its leadership position in hand dishwash in Australia with a value market share remaining around 50% due to continued investment in brand equity and innovation[3]. During the year, we launched Morning Fresh into the auto dishwash category and successfully secured distribution in the two largest grocery retailers which together comprise approximately 80% of the market. Early market share data has been favourable and we are building plans for further marketing activity over the coming months. Radiant, a Portfolio Brand, also increased its market share with very strong growth in both volume and price/mix, with strong growth from innovation with a new capsules product.

Rafferty's Garden revenue grew double-digits with price/mix and volume increases. The brand increased its value market share by nearly two percentage points in the year, remaining the clear market leader in the category[4].

2 Aggregated IRI and Kantar data for the 52 weeks ended 10 June 2023
3 Nielsen data 12 months to 15.06.23
4 Nielsen data 12 months to 15.06.23

Financial and Operating Review continued

Cussons Baby Indonesia declined as consumers reduced spending on certain discretionary items, given the squeeze on household budgets resulting from the government's lifting of fuel subsidies in August 2022. Revenue performance became more challenging throughout the year as lower consumer demand resulted in gradual de-stocking. Competition from local players intensified throughout the year, while we elected to continue our focus on growing the higher margin baby toiletry sub-categories such as oils, lotions and creams.

The planned reduction in low-margin, by-product sales to third parties reduced APAC revenue growth by approximately one percentage point.

Adjusted operating margin grew by 240bps, reflecting strong price/mix growth and careful cost containment across the business. On a statutory basis, margins declined by 580bps due to the non-recurrence of profit on disposal of five:am and compensation received from the Australian Competition & Consumer Commission relating to a historical legal claim.

AFRICA (39.1% OF FY23 GROUP REVENUE)

£m, unless otherwise stated	FY23	FY22	Reported growth (%)
Revenue	**256.3**	222.0	15.5%
LFL revenue growth	**13.4%**	22.3%	n/a
Adjusted operating profit	**37.2**	22.3	66.8%
Margin	**14.5%**	10.0%	450bps
Operating profit	**48.3**	28.6	68.9%
Margin	**18.8%**	12.9%	590bps

Revenue grew 15.5%, primarily due to LFL growth of 13.4%. LFL revenue was driven by price/mix improvements of over 20%, with several waves of price increases throughout the year, reflecting the inflationary environment in Nigeria and Ghana. FX movements supported overall revenue growth, reflecting the stronger Naira for most of the year.

Across the Nigerian portfolio, we have continued to benefit from the transformation of our Route to Market approach in recent years. We have sought to optimise the SKUs by region and channel, and over the past year have increased by nearly 50% the number of stores served directly or through our distributors.

Each of our major brands reported double-digit LFL revenue growth. Premier and Joy each saw good growth due to innovation, with their 'Black' variants – with natural, African ingredients and strong links to heritage – performing particularly well. Flamingo, an important Portfolio Brand in Kenya, also grew strongly following a re-launch, with revenue up over 50%.

Cussons Baby grew strongly, as we continue to recruit new parents through our programmes within hospitals, through growth in the rapidly growing baby store channel and due to several innovations in the wipes portfolio.

Our electricals business revenue grew over 10% on an LFL basis, contributing revenue of £105.4 million. Gross margins improved as we continued to prioritise growth in profitability over growth in volumes. As a Portfolio Brand, we reduced our Brand Investment in the electricals business in the year and plan to reduce this further in FY24 to fund higher-priority brands in core categories.

Adjusted operating profit margin grew by 450bps, representing a third consecutive year of continued profit improvement. This was achieved through successful price/mix improvements and a continued focus on optimising product mix despite strong cost inflation. On a statutory basis, the operating profit margin increased by 590bps due to the gains on property disposals.

Other financial items

Adjusted operating profit

Adjusted operating profit for the Group was £73.3 million, which compares to £67.1 million in the prior period (as restated). The adjusted operating profit margin decreased by 10bps to 11.2%. Excluding Childs Farm, the margin would have improved compared to the prior year.

The gross profit margin increased by 80bps to 39.2%. This reflects the benefits of productivity initiatives and price/mix improvements, which more than offset underlying inflation in input costs, as well as an adverse geographic mix effect, which is the result of our lower margin business in Africa growing more strongly than the wider Group. Brand Investment increased in FY23 but decreased as a percentage of revenue by 20bps, reflecting a planned normalisation of the investment in Carex. Overheads increased by 100ps as a percentage of revenue as we continue to invest in capabilities. PZ Wilmar, our joint venture, performed strongly and contributed £7.5 million to operating profit.

Adjusting items

Adjusting items in the year totalled a net expense of £12.3 million before tax. This included a net £2.9 million expense associated with our ongoing transformation programmes and a £16.5 million impairment charge of the Sanctuary Spa brand offset by a £4.2 million reversal of a prior period impairment of the Rafferty's Garden brand. See note 3 for further details on adjusting items.

After accounting for these adjusting items, operating profit decreased 9.3% to £59.7 million.

Net finance costs

Adjusted net finance income was £0.8 million, compared to a cost of £1.3 million in the prior year, as higher interest income on Naira cash deposits more than offset an increase in interest payable on largely-UK borrowings.

Within finance income was £1.3 million for the reduction in the deferred consideration liability for the Childs Farm acquisition, which was classified as an adjusting item.

Taxation

The tax charge on adjusted profit before tax for the year was £20.1 million, representing an effective tax rate of 27.1% (FY22: 19.5%). The increase in the effective tax rate was primarily due to the mix of profits, with Africa and Australia, each with higher tax rates, growing faster than the wider Group. The tax charge on statutory profit before tax was £15.4 million.

Profit after tax

Statutory profit for the year from continuing operations was £46.4 million, compared to £51.4 million in the prior year. Adjusted basic earnings per share were 11.23p compared to 12.57p in the prior year. This represents a decline of 10.7% due primarily to the higher tax charge and the increase in non-controlling interests, each the result of the improved profitability in Nigeria. Basic earnings per share for continuing operations on a statutory basis were 8.70p compared to 11.88p.

Balance sheet and cash flow

Adjusted net cash as of 31 May 2023 was £5.7 million (FY22: adjusted net debt of £9.8 million), including cash and cash equivalents of just over £200 million denominated in Nigerian Naira[5]. The increase was driven principally by cash generated from operations of £76.6 million, £14.4 million proceeds received from the disposal of non-core assets in Nigeria, £11.8 million of interest received on principally Naira-denominated deposits offset by £29.4 million of dividends paid and a £19.3 million adverse foreign exchange movement. Net assets of £422.1 million compared to £448.9 million in the prior period as a result of the increase in currency translation reserve and reduction in retained earnings.

The Group is funded by a £325 million credit facility, which was refinanced during the year with a term of up to 2028. As at 31 May 2023, the Group had drawn £125 million of the term loan under the facility and £127 million under the revolving credit facility, for a total of £252 million. At 31 May 2022, drawings were under the previous credit facility and amounted to £174 million.

Total free cash flow was £69.9 million (FY22: £58.0 million) due to an improvement in cash generated from operations, driven by higher operating profit and reduced working capital.

Dividend

In light of the recent devaluation of the Naira, which is expected to adversely affect the Group's financial results in FY24, the Board is recommending a final dividend of 3.73 pence which is unchanged on the previous year. This represents a total dividend for FY23 of 6.40p. Subject to approval at the AGM, which will be held on 23 November 2023, the final dividend will be paid on 30 November 2023 to shareholders on the register at the close of business on 3 November 2023.

Foreign exchange

The general weakening of Sterling against our other currencies resulted in a £15.7 million uplift to FY23 revenue, as set out below.

		Average FX rates		
	% of FY23 revenue	FY22	FY23	Revenue impact (£m)
GBP	**27%**	1.00	**1.00**	–
NGN	**35%**	558	**536**	8.0
AUD	**14%**	1.84	**1.78**	2.7
IDR	**11%**	19,331	**18,174**	4.7
USD	**7%**	1.35	**1.20**	4.2
Other	**6%**	–	**–**	(3.9)
Total[6]	**100%**	**–**	**–**	**15.7**

Impact of Naira devaluation and FY24 modelling considerations

We made an announcement on 27 June 2023 regarding impact of the Naira devaluation which took place in June. To provide a further illustration of this matter, we calculate that if our profits in the year to 31 May 2023 had been translated to Sterling at the average rate between July and August 2023 as opposed to the average rate for FY23, the Group's adjusted operating profit would have been £14.7 million lower, as detailed below.

£m, unless otherwise stated	At reported FX rates	As at July/August average rates[7]	Difference
Group adjusted operating profit	73.3	58.6	(14.7)
Group cash and equivalents	256.4	174.6	(81.8)
Africa revenue	256.3	153.6	(102.7)
Africa adjusted operating profit	37.2	22.5	(14.7)

In addition, the following effects of the devaluation of the Naira are also expected:

- Group net interest charge in FY24 is likely to be higher, reflecting lower levels of interest earned in Nigeria.
- The Group's ETR and non-controlling interest in FY24 are, all else being equal, expected to be lower.

The recently announced offer to buy out our Nigerian entity minorities and de-list the business there, which is subject to approval by shareholders in the Nigerian listed entity, is expected to benefit the Group from FY25 onwards. The transaction is expected to provide strategic and operational benefits, as well as being earnings accretive as a result of the reduction in the non-controlling interest.

Further guidance on these items will be provided in due course.

5 Based on the balance sheet NGN/GBP rate of NGN577
6 Table shows the impact of translating FY22 revenue at FY23 foreign exchange rates
7 Tables shows only the translational impact of the devaluation of the Naira

Financial and Operating Review continued

ALTERNATIVE PERFORMANCE MEASURES

The Group's business performance is assessed using a number of Alternative Performance Measures (APMs). These APMs include adjusted profitability measures where results are presented excluding separately disclosed items (referred to as adjusting items) as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's financial performance from one period to the next.

Adjusted profitability measures are reconciled to IFRS results on the face of the consolidated income statement with details of adjusting items provided in note 3 to the consolidated financial statements. Reconciliations between APMs and IFRS reported results are set out below:

Adjusted operating profit and adjusted operating margin

	2023 £m	2022 (restated*) £m
Group		
Operating profit from continuing operations	**59.7**	65.8
exclude: adjusting items	**13.6**	1.3
Adjusted operating profit	**73.3**	67.1
Revenue	**656.3**	592.8
Operating margin	**9.1%**	11.1%
Adjusted operating margin	**11.2%**	11.3%
By segment		
Europe & the Americas:		
Operating profit from continuing operations	**0.4**	22.9
exclude: adjusting items	**28.9**	12.1
Adjusted operating profit	**29.3**	35.0
Revenue	**205.8**	193.0
Operating margin	**0.2%**	11.9%
Adjusted operating margin	**14.2%**	18.1%
Asia Pacific:		
Operating profit from continuing operations	**29.6**	37.0
exclude: adjusting items	**(2.1)**	(16.1)
Adjusted operating profit	**27.5**	20.9
Revenue	**190.7**	173.8
Operating margin	**15.5%**	21.3%
Adjusted operating margin	**14.4%**	12.0%
Africa:		
Operating profit from continuing operations	**48.3**	28.6
exclude: adjusting items	**(11.1)**	(6.3)
Adjusted operating profit	**37.2**	22.3
Revenue	**256.3**	222.0
Operating margin	**18.8%**	12.9%
Adjusted operating margin	**14.5%**	10.0%
Central		
Operating loss from continuing operations	**(18.6)**	(22.7)
exclude: adjusting items	**(2.1)**	11.6
Adjusted operating loss	**(20.7)**	(11.1)

* Certain figures for the year ended 31 May 2022 have been restated. Refer to note 1(c) of the Group consolidated financial statements for details.

Adjusted profit before taxation

	2023 £m	2022 (restated*) £m
Profit before taxation from continuing operations	**61.8**	64.5
exclude: adjusting items	**12.3**	1.3
Adjusted profit before taxation	**74.1**	65.8

* Certain figures for each of the year ended 31 May 2022 have been restated. Refer to note 1(c) of the Group consolidated financial statements for details.

Adjusted Earnings Before Interest Depreciation and Amortisation ('Adjusted EBITDA')

	2023 £m	2022 (restated*) £m
Profit before taxation from continuing operations	**61.8**	64.5
(deduct)/add back: net finance (income)/costs	**(2.1)**	1.3
add back: depreciation	**12.1**	12.8
add back: amortisation	**7.0**	7.4
add back: impairment and impairment reversal	**12.3**	9.0
	91.1	95.0
exclude: adjusting items**	**1.3**	(7.7)
Adjusted EBITDA	**92.4**	87.3

Adjusted earnings per share

	2023 pence	2022 (restated*) pence
For continuing and discontinued operations		
Basic earnings per share	**8.70**	11.45
exclude: adjusting items	**2.53**	0.69
Adjusted basic earnings per share	**11.23**	12.14
Diluted earnings per share	**8.67**	11.38
exclude: adjusting items	**2.52**	0.69
Adjusted diluted earnings per share	**11.19**	12.07
From continuing operations		
Basic earnings per share	**8.70**	11.88
exclude: adjusting items	**2.53**	0.69
Adjusted basic earnings per share	**11.23**	12.57
Diluted earnings per share	**8.67**	11.81
exclude: adjusting items	**2.52**	0.69
Adjusted diluted earnings per share	**11.19**	12.50

* Certain figures for the year ended 31 May 2022 have been restated. Refer to note 1(c) of the Group consolidated financial statements for details.

** Excludes adjusting items relating to depreciation, amortisation, impairments and impairment reversals.

Adjusted net debt

	As at 31 May 2023 £m	As at 31 May 2022 £m
Cash at bank and in hand	**127.4**	105.8
Short-term deposits	**129.0**	58.0
Overdrafts	**–**	(0.1)
Cash and cash equivalents	**256.4**	163.7
Current asset investments	**0.5**	0.5
Non-current borrowings	**(251.2)**	(174.0)
Adjusted net cash/(debt) and cash equivalents	**5.7**	(9.8)

Free cash flow

	2023 £m	2022 £m
Cash generated from operations	**76.6**	66.2
deduct: purchase of property, plant and equipment and software	**(6.7)**	(8.2)
Free cash flow	**69.9**	58.0

Risk Management and Principal Risks

HOW WE MANAGE RISK.

RISK CULTURE

At PZ Cussons, we are focused on conducting our business responsibly, safely and legally while making risk-informed decisions when responding to opportunities or threats that present themselves.

As an international business, we face risks and uncertainties as we deliver our strategy across our priority markets. By effectively managing risks and identifying opportunities, we enhance our ability to achieve our strategic objectives successfully.

GOVERNANCE AND OVERSIGHT

The Board is responsible for setting our risk appetite and for ensuring an effective risk management framework is in operation. It discharges this responsibility to the Audit & Risk Committee. The Board periodically reviews the top risks across the Group. The Audit & Risk Committee (see pages 96 to 101 for further information) reviews specific risks in more detail. Other committees may also review risks that are relevant to their area of responsibility.

At market level, business unit leadership teams are responsible for applying the Group risk management framework. They also ensure that risk information is relevant and accurate. If necessary, they report risk information to the Audit & Risk Committee for review.

At Group level, the Executive Leadership Team (ELT) periodically reviews risk registers. They use a top-down and bottom-up approach to ensure that significant strategic and operational risks are identified. They also ensure that all principal and emerging risks are assessed. In addition, they may perform 'deep dive' reviews of specific principal risks to ensure that controls are adequately resourced and that exposure remains within the defined risk appetite parameters (see 'Risk Appetite' section for further information).

Each principal risk is owned by a member of the ELT. The Group Internal Audit Function provides independent assurance to both the ELT and the Audit & Risk Committee on the effectiveness of the risk management framework and internal control systems.

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 joint venture agreements. However, the Group believes its agreements are sufficiently robust and its partners are aligned with its approach to risk.

The Group's risk management processes are designed to manage rather than eliminate risks. They provide reasonable, but not absolute, assurance against material misstatement or loss.

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 INTERNAL AUDIT & RISK DIRECTOR

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

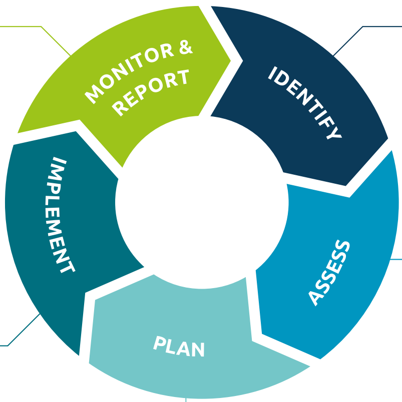
REGIONAL AND BUSINESS UNIT MANAGEMENT

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 RISK MANAGEMENT METHODOLOGY

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 our strategic objectives. Our risk management processes include:

Over the course of FY22, the Board reviewed the effectiveness of the risk management framework and methodology. While acknowledging an improvement over the previous processes, the Board noted that risk management could be better integrated into the overall business planning and management functions. In Q3 FY23, the Group has appointed a new Internal Audit & Risk Director and a Head of Group Risk. A process has begun to review and update the risk management framework and methodology.



1. The initial **identification** of risks, including emerging risks at the operational level.
2. These risks are then **assessed**, including an assessment of the potential impact of the risk on our business, and the extent to which the risk can be mitigated or controlled.
3. Mitigating actions are then **planned**, agreed and communicated to the relevant risk owners throughout the Group.
4. Actions are **implemented** by regional and business unit management.
5. The results and status of those risk actions are **monitored** by the Risk Team, regional and business management and second line assurance functions.

   The status of risk actions is **reported** frequently to the Audit & Risk Committee.

RISK APPETITE

The Board is committed to managing risk in a way that is aligned with our vision and culture. We are aware of the many risks that our business faces and we have a process in place to identify, assess and mitigate these risks.

We have a very low risk appetite for risks that could damage our reputation or business opportunities. These include risks related to:

- Product safety and quality
- Cybersecurity and data protection
- Climate change
- Health and safety
- Legal compliance
- Environmental and regulatory compliance.

We also have a relatively low risk appetite for risks related to our supply chain and finance functions. We seek to minimise counterparty credit risk exposure, ensure the resilience of our supply chain and avoid unhealthy levels of financial leverage or complex tax planning structures.

However, we have a higher appetite for risks that are associated with growth and potential higher returns. These include:

- Our focus on innovation and new product development
- Our involvement in emerging markets
- M&A activity
- Our ambitious sustainability targets.

We seek to mitigate our risk exposure to within target levels through a variety of means including insurance cover, planning and control processes, and natural portfolio hedges such as the diversity of our brand and product ranges and global footprint.

Risk Management and Principal Risks continued

EMERGING RISK

New and emerging risks are identified in a number of ways as illustrated in the diagram below.

We believe that our approach to identifying new and emerging risks is comprehensive and effective. By taking a variety of approaches, we are able to identify risks that may not be immediately obvious and to take steps to mitigate them before they cause harm to our business.

We track emerging risk themes across politics, economics, technology, environment and talent through the processes described below.

1 Reporting to the Board:

Potential new and emerging risks are reported to the Board and considered during its periodic reviews of Group risks.

2 Considering principal risks:

In formulating and evolving the Group risk register, the ELT and the Board consider the principal risks identified by individual markets and functions to determine whether there are any new risks which require Group-wide focus and mitigation.

3 Assessing emerging risks:

At its annual strategy session, the Board assesses any emerging risks (or opportunities) which should be considered when formulating and executing strategy in the future.

4 Awareness of emerging macro trends:

Our in-house Risk Management Function ensures we are aware of emerging macro trends and risks associated with our industry and geographical footprint.

5 Discussions with external advisers:

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 Group is also a member of various trade and industry bodies across the world and leverages the experience of its peers and external industry experts.

LOOKING AHEAD

In FY23 we have invested in our risk management capability with the appointment of our new Group Internal Audit & Risk Director as well as a Head of Group Risk. Over the course of FY24 they will look to improve our risk management framework, conduct risk management training and workshops across the Group, enhance periodic and structured reporting of risk at Executive Leadership Team, Audit & Risk Committee and Board level and work to further instil a risk aware culture to ensure risk is a key part of our strategic decision-making going forward.

OUR PRINCIPAL RISKS

The most significant risks – those that could affect our strategic ambitions, future performance, viability, and/or reputation – form our principal risks. The table sets out our principal risks. This includes a summary of key information, including the type of risk, links to our strategic drivers and residual risk movement. Please note, this list does not include all our risks. Other risks, not presently known, or those we currently consider to be less material, may also have adverse effects.

In previous years we have disclosed principal risk movements on an inherent level; they are now disclosed on a residual basis in order to reflect the risk profile of the Group more accurately.

We have removed pandemic from our list of principal risks following the WHO (World Health Organisation) declaration that Covid-19 is no longer a global health emergency, alongside the fact we have not seen this risk impact our strategic objectives outside of the interconnectivity to the inflationary environment and cost-of-living crises. We will continue to monitor pandemic risk through our internal risk management framework and emerging risk processes.

We have added two new principal risks, 'Consumer and Customer Trends' and 'Market and Economic Disruption including Emerging Markets.' These two risks replace the previously disclosed 'Consumer, Customer and Economic Trends' principal risk as our view is that these risks are evaluated and managed in materially diverse ways and as such should be disclosed separately.

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

IT and Information Security:

At an inherent level, we continue to see increasing 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. However, at a residual level, we believe our IT processes and controls are appropriate to mitigate current IT security risk. However, we are investing further in this area through addressing improvements to IT General Controls as part of our multi year Controls Transformation programme. We are also positioned to respond to changes to cyber threats, the increased regulatory focus on data security, along with recent geo-political developments.

Business Transformation:

As we continue to transform our business, there is a risk that we do not achieve the aims and goals of our various transformative programmes we have in place. As we embark on ambitious plans to enhance our consumer offering, improve our technological capability and simplify our business, we see this risk increasing due to the competitive market for talent across key niche areas such as e-commerce. We manage this risk via our transformation governance structures, Executive Leadership Team ownership of key transformation programmes and engagement of external experts.

Legal and Regulatory Compliance:

Increased cost pressures throughout our value chain are leading to an increase in the inherent risk of contractual claims and litigation from our counterparties, particularly in markets that we see as key drivers of growth and business development. We manage this risk via our extensive internal and external experts, Global Procurement Team and in-house risk management expertise.

Consumer and Customer 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 reducing costs where possible without impacting the consumer experience and by building strong brands that can maintain strong margins.

Financial Controls (Foreign Exchange, Treasury and Tax):

As an international group we are naturally exposed to foreign exchange risk. Shortly after the end of our financial year, the value of the Nigerian currency dropped materially. This has emphasised the extent of this risk. With significant operations in Africa, we are also materially exposed to specific treasury and tax risks, such as the issue of currency availability and changing tax regulations. We manage these risks through our stringent governance and oversight processes, defined and clear financial, treasury and tax policies and our experienced in-house expertise.

Market and Economic Disruption including Emerging Markets:

The ongoing after-effects of globally transformative events seen around the world, alongside ongoing geopolitical and economic volatility across emerging markets, such as Nigeria and Indonesia, that we serve, continue to represent a risk to our business. We manage this risk by ensuring our product portfolio and market strategy are sufficiently diversified, establishing forward contracts where possible and continuing to simplify our business.

Risk Management and Principal Risks continued

RISK 1: IT AND INFORMATION SECURITY

Trend: No change

Link to Strategy: Serve Consumers, Reduce Complexity, Grow Sustainably

Description of risk:	How we manage the 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. Ongoing global instability and uncertainty have increased the inherent risk of cyberattacks which could impact the security of personal data we hold as well as business-critical information and also the automated systems we use across our supply chain. Additionally, the increasing use of generative AI is a source of new and adaptive cybersecurity threats and introduces additional risks associated with data breaches.	• A centrally governed IT function continually monitors known and emerging threats that may impact us. • An industry-approved cybersecurity control framework has been deployed and external reviews of this framework have been conducted, evidencing its effectiveness. • We have developed and delivered a comprehensive information security awareness programme to ensure both business and personal information remain protected. • Critical data is backed up regularly in accordance with our control framework and recovery testing is undertaken. • Throughout FY23, we have further improved and invested in our relationships with best-in-class operational services and partners, including the appointment of a new cybersecurity partner. • We have continued our relationship with the National Cyber Resilience Centre to ensure we are aware of emerging risks around Cyber Incident Response (and reactions, including ransom approach), industry insights and approaches and cyber intelligence. • We have an IT risk governance framework in place, with risk information reviewed monthly by the IT Leadership Team, managing the risk profile for the delivery of IT Services across Cybersecurity, IT Operational Risk, Audit and Compliance and Disaster Recovery; additionally, we are refreshing our Information Risk Governance Committee in FY24 to further enhance governance and oversight. • In FY23, we completed our three-year IT Strategy Transformation Project, which has simplified our architecture, enhanced third-party support, and levelled up resources in this area. • A comprehensive suite of IT policies is in place covering acceptable use, network security, removable media, information security, IT and third-party security, access control and many others. • We are investing further in this area through addressing improvements to IT General Controls as part of our multi year Controls Transformation programme.

LINK TO STRATEGY

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

TREND

- Increased
- Decreased
- No change
- New

RISK 2: TALENT DEVELOPMENT AND RETENTION

Trend:

Link to Strategy:

Description of risk:	How we manage the risk:
We recognise that to deliver sustained, profitable growth we require the best talent. We are focused on attracting, developing and retaining a diverse range of skilled people with the potential to deliver our ambitious growth agenda. The competition for top talent remains high, particularly in Marketing, Digital and E-commerce which saw accelerated growth through the pandemic. Attracting key talent in some regions is challenging due to market dynamics such as the trend to emigration of nationals in Nigeria, and the highly competitive employment markets in both Indonesia and the UK. But we are not seeing a significant increase in attrition in these markets. With continued global uncertainty and the enduring inflationary impacts of Covid-19, we also see employee engagement and reward and wellbeing as continued priorities.	• We continually measure overall engagement and our engagement scores have been consistent over the last three years, despite a landscape of internal and external change. 96% of our people completed the survey and we achieved an increased engagement score of 73%. We have global and local action plans in place to continue our journey with a focus on the critical drivers that will have the most impact on overall engagement. • We continue to have a vibrant and open conversation with our people, through Group-wide social media, communication platforms and bi-monthly global Town Hall meetings; these are augmented by weekly team and market ‘Huddles’ and regular ‘PZ Talks’ designed to keep employees informed of key strategic initiatives and goals. • We have a continued focus on wellbeing, with specific initiatives in our markets aimed at providing wellness, education and mental health support. We encourage work-life balance, including on Fridays, when our people are able to finish work at 1pm. • Our global performance management process helps our people to reach high performance, grow their skills and experience, and progress their career. • With the launch of LinkedIn Learning and other externally hosted training platforms, we have made continuous skills development available to all. • We manage a regular cycle of talent and succession planning for our senior leaders at all levels of the business. Using our Workday platform we have visibility of the experience, potential and aspiration of our people; unlocking our ability to identify and move talent around PZ Cussons. We have also assessed the risk to and impact of retention of our future leaders and critical talent. Delivering our succession plans has led to two internal promotions to Executive Leadership Team level – both being local nationals, of whom one is female, both acting as role models to talent in our Africa and Asia businesses. • FY23 saw the further embedding and operationalising of our people system (Workday); driving better employee performance management, feedback, talent management and learning. All employees can see the explicit link between employee goals, performance, development and reward. • We continue to offer hybrid and virtual working arrangements across our markets, which are enabled by the deployment of IT platforms such as Microsoft Teams and Office 365 as well as ensuring our offices are set up technologically for both home and office working employees to collaborate. Our Global HQ at Aviator Way in Manchester recently won the BCO ESG award, having been refurbished in January 2022 to support hybrid working arrangements. • Our Board have recently committed to our new DEI strategy, with plans being developed for FY24 across PZ. We support the 30% Club as well as being committed to the recommendations of the ‘Parker Review’ – whose chair is David Tyler, our Non-Executive Chair.

Risk Management and Principal Risks continued

RISK 3: FINANCIAL CONTROLS (FOREIGN EXCHANGE, TREASURY AND TAX)

Trend: Increased

Link to Strategy: Reduce Complexity, Grow Sustainably

Description of risk:

Due to its international footprint, PZ Cussons is exposed to a variety of external financial risks in relation to Foreign Exchange, Treasury and Tax.

The relative value of exchange rates can fluctuate significantly and as a result can have a material impact on financial performance. In addition, because PZ Cussons consolidates its financial statements in GBP, it is subject to exchange rate risk associated with the translation of its underlying net assets and earnings of its foreign subsidiaries.

Given our geographic footprint, we are also subject to exchange rate controls in some of our jurisdictions that may impact our ability to access foreign currency in order to settle intercompany liabilities that may include the repatriation of cash to the UK by way of dividend payments.

A material shortfall in our operating cash flow and/or our ability to access appropriate sources and levels of funding could undermine our ongoing business activity and the next stage of business transformation. In times of financial crisis, we may not be able to raise funds or access credit in an appropriate jurisdiction due to market illiquidity.

We are also exposed to counterparty risks with banks, suppliers, customers, and other credit providers which could result in financial losses.

Tax is a complex and ever evolving area where laws and their interpretation change frequently, and which may lead to unexpected or new tax exposures. Equally, as a global group, we are subject to transfer pricing and other related policies and regulation, which are also subject to international and local regulatory changes that may have an impact on business performance.

How we manage the risk:

- We maintain an established Group treasury function and our Group treasury policy defines our non-speculative approach to the management of foreign currency and other financial market exposures.
- 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 strategy is in place that defines the way in which we conduct ourselves with respect to our tax affairs.
- Our in-house Group Tax capability is complemented by the use of specialist tax consultants to ensure compliance with all local and international tax regulations and treaties, and to ensure that changes in regulations are taken into consideration as part of our future business strategy.
- Treasury and tax controls are an important part of our overall financial control framework, which continues to evolve in order to remain fit for purpose and reflective of the nature of business risks.
- The Audit & Risk Committee maintains oversight and governance over key treasury and tax-related risk, including tax and treasury strategy, potential tax obligations and financial controls.

LINK TO STRATEGY

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

TREND

Increased	^	Decreased	v
No change	–	New	*

RISK 4: CONSUMER AND CUSTOMER TRENDS

Trend: **Link to Strategy:**

Description of risk:	How we manage the risk:
Inflationary pressures have continued throughout this financial year; this has seen increased raw material costs which has placed significant pressure on our value proposition at a time when consumers continue to face a cost-of-living crisis across our markets. The risk of competition in the marketplace, especially in online-only offerings and most starkly across lower quality, lower priced products, continues to represent a risk to the financial performance of the Group as consumers continually review expenditure on key household items. Failure to understand our consumers, manage our customer relationships and innovate in response to underlying trends could lead to financial and reputational loss for the Group.	• We use market research and insights data to monitor our consumers' needs. • 2023 has seen the introduction of specialist online-only marketing and sales teams. • Our continued focus on our Must Win Brands and Must Win Drivers ensures we are focusing resources in the areas that are most important to our valued consumers. • We continue to focus on maintaining strong relationships with our existing customers and developing relationships with new customers via the use of consistent and regular interaction, targeted customer led campaigns and collaborative planning and forecasting processes. • We remain focused on cutting any costs we can from our products that do not impact the consumer experience or sacrifice performance or quality. • In FY23, we continued the rollout of our new brand Cussons Creations, targeted at a more cost focused consumer base and being sold in a variety of discounter retailers.

RISK 5: LEGAL AND REGULATORY COMPLIANCE

Trend: **Link to Strategy:**

Description of risk:	How we manage the 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. As the use of generative AI continues to gather pace, there is an increased risk of IP infringement and leakage of confidential information as employees establish how to use the new tools. There is also an increased risk that regulations fail to keep pace with the emerging technologies, exposing the Group to potential issues. Alongside this, like all companies, we are exposed to litigation risk in the markets in which we operate and must continually remain vigilant to the risk of financial liability in respect of our contractual obligations. The use of generative AI could also see this risk increasing as counter parties and potential litigants use it to generate new or additional claims.	• 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. • We are supported by a network of external experts who can be engaged as required and help us to horizon scan and identify emerging risks. This is particularly important in developing countries where changes in the law can be sudden and unpredictable. • We have a Group-wide Code of Ethical Conduct which employees sign up to and this is complemented by an annual certification exercise. • Our Ethics and Compliance Team is now established, led by our Head of Ethics & Compliance, reporting into the General Counsel, with our ethics & compliance programme being overseen by the Audit & Risk Committee. • We have a comprehensive training programme including ethics and compliance and anti-bribery and corruption. • A third-party confidential whistle-blowing line is in operation, which gives employees and contractors the chance to raise issues to be investigated by the Ethics and Compliance Team. • In FY23, we strengthened our Risk Management Function with the appointment of a new Head of Group Risk.

Risk Management and Principal Risks continued

RISK 6: BUSINESS TRANSFORMATION

Trend: Increased

Link to Strategy: Build Brands, Serve Consumers, Reduce Complexity, Develop People, Grow Sustainably

Description of risk:	How we manage the risk:
The fundamental areas in which we are transforming the business align with our core strategic goals: • Reducing complexity: Simplifying our business in a way which makes sense • Building brands: Continuing to identify and focus on our Must Win Brands • Serving customers: Evolving how we reach the consumer • Growing sustainably: Supporting our sustainability goals and targets • Developing people: Enhancing the tools used to empower and develop our people. We 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.	• Across our transformation programme we have dedicated steering committees, often chaired by Executive Leadership Team members, including the CEO and CFO and project delivery teams, who conduct in-depth analysis of progress and make regular reports to the Board. • Our dedicated Executive Leadership Team forum tracks the delivery, cost, and accounting treatment for a number of these transformational projects. • We have renewed focus on our Must Win Brand targets, progress against which is tracked continuously via the steering committees and reported to the Board. • We continue to make progress in our Groupwide Controls Transformation Project, which will improve the global control framework and ensure the Group is ready for the BEIS reforms.

RISK 7: MARKET AND ECONOMIC DISRUPTION, INCLUDING EMERGING MARKETS

Trend: New

Link to Strategy: Build Brands, Serve Consumers, Reduce Complexity

Description of risk:	How we manage the risk:
The ongoing after-effects of globally transformative events, alongside increasing global geopolitical and macro-economic instability and volatility, means that our markets are affected by cost-of-living crises and market disruption. Within the markets in which we both operate and serve consumers, such as Nigeria and Indonesia, significant political and economic instability has led to inflationary pressures on our consumers; alongside this, global trade tensions, increasing nationalisation of markets and currency market instability could impact our ability to serve our global consumers. Failure to react to changing market conditions could lead to a material effect on the Group's financial performance, market share or reputational standing.	• We have brands across multiple segments and price points across multiple markets, which ensures we have sufficient diversification across our product mix to cater for a wide range of consumers. • Our Global Procurement Team establishes forward contracts where possible to mitigate the exposure to instability in raw material commodity prices. • We have extensive experience operating within emerging markets and use this experience to manage regionalised instability risks. • We continue to diversify our production capabilities and have simplified our global supply chain. • With both our in-house and external legal expertise, we ensure we are aware of emerging market-related risks. • We have a dedicated Group Risk Management Function that reports to the Board via the Audit & Risk Committee material matters of concern in relation to emerging market risks.

LINK TO STRATEGY

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

TREND

- Increased
- Decreased
- No change
- New

RISK 8: HEALTH AND SAFETY

Trend: **Link to Strategy:**

Description of risk:	How we manage the risk:
The safety of our products is of paramount importance to the Group; the risk of contamination, mislabelling or unsafe use of raw materials could lead to significant reputational damage and/or financial loss to the Group. Of equal importance is the health, safety and wellbeing of our people, including employees, contractors and visitors. The safety of our facilities, offices, and the health and safety of our employees working from home under our hybrid working model are of the utmost importance. 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.	• We apply robust quality management standards and systems, rigorously monitoring them throughout all supply chain stages. This applies not only to our own production facilities but to our third-party manufacturers as well. • We launched 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 the 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. • This year we have focused on behavioural health and safety training across our facilities to support the rollout of the new Health and Safety Policy put in place in the previous year.

RISK 9: SUSTAINABILITY AND THE ENVIRONMENT

Trend: **Link to Strategy:**

Description of risk:	How we manage the risk:
The effects of Climate Change represent a material risk to the business, therefore 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. One of our key strategic objectives is to grow sustainably. To that end we have set ourselves ambitious and science-based sustainability goals; failure to achieve those targets 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.	• Our Board appointed Environmental and Social Impact Committee provides governance and oversight over our sustainability function and activities. Below this, new working forums have been created, including monthly functional and regional forums with sustainability champions across different departments and business units. We have also enhanced our ELT KPI reporting, with a new dashboard created to ensure key metrics are reported quarterly. • FY23 saw the continued development and embedding of our Dow Jones and Cedex supplier risk management tools, as well as the appointment of a new Head of Group Risk who will continue to enhance and support these activities. • FY23 saw the creation of our Supplier Sustainability Principles, outlining our key expectations and requirements, early FY24 will see this rolled out to suppliers. • In order to drive awareness and relevancy of sustainability to employees' jobs and personal lives, we have created a new employee intranet hub outlining our strategic aims, our programmes alliances and partnerships and general sustainable living practices and examples for employees in their daily lives. • We have increased resourcing across the sustainability team to manage the sustainability programmes and progressing our agenda. • Our Scope 3 baseline data has been verified by a third-party and is now published on our website. • Our publicly available sustainability webpage and human rights principles have been updated in the year to improve external reporting and enhance transparency. • More information can be found in our TCFD disclosure on pages 35 to 39.

Risk Management and Principal Risks continued

RISK 10: SUPPLY CHAIN AND LOGISTICS

Trend: Decreased

Link to Strategy: Serve Consumers, Reduce Complexity

Description of risk:	How we manage the risk:
Our production and distribution facilities could be severely impacted by adverse events affecting the continuity of supply, such as a failure of a key supplier, a health and safety incident, an environmental failure, or global events. Our consumers and customers could be severely impacted by material increases in input costs of raw materials, freight and distribution costs and an inability to supply finished products. Failure to get the product to our consumers or failing to provide that product at a reasonable price could have a material effect on business performance and our reputational standing.	• We undertake a rigorous selection process before engaging with new third-party suppliers and perform ongoing audits and performance monitoring to ensure that contracted standards are being maintained or exceeded. • We have continued to embed our third-party risk management solution, which enables us to foresee emerging third-party-related risks and issues. • We use multiple suppliers where possible and have a dedicated Global Procurement Team who can source alternative suppliers where necessary, complemented by a quality management team able to appropriately assess potential replacement products. • 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. • We use our globally recognised logistics partners to ensure we are adequately aware of specific geopolitical or security risks within the markets in which we operate.

LINK TO STRATEGY

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

TREND

- Increased
- No change
- Decreased
- New

Viability and Going Concern

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 17 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 consolidated 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 14 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 58 to 68. 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.

In concluding on the financial viability of the Group, having considered the scenarios referred to above, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all its liabilities as they fall due up to May 2027.

Risk Management and Principal Risks continued

Bottom-up scenarios

Each of the principal risks identified has been assessed for its potential financial impact as part of the viability assessment. Of these, the most severe but plausible scenarios were identified as follows:

Scenario modelled	Link to Principal Risks	Mitigation
1. CONSUMER, CUSTOMER, ECONOMIC		
Consumers impacted by high inflationary environment with inability to pass through cost inflation, down trading to value brands and increased competition – 5% year-on-year reduction in revenue in Beauty, UK and Indonesia markets; reduction in gross margin percentage compared to base case by 250bps in the same markets. **Competitive landscape leading to higher promotional and M&C spend –** M&C spend percentage increased by 5ppt above base case. **Nigeria impact (general economic & political uncertainty) – Naira devaluation and/or reduced overall profit –** apply recent experienced devaluation across duration of plan.	4. Consumer and customer trends 7. Market and economic disruption, including emerging markets	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 recent years. Procurement constantly works with vendors to obtain the best prices. Known cost increases are already factored into the budget and forecasts.
2. TALENT DEVELOPMENT		
Revenue reduction and negative margin impact (i.e. worse performing team) – 3% reduction in revenue year-on-year compared to base case considered to reflect the gradual impact of talent retention in all markets; reduction in gross margin percentage compared to base case by 5ppts. **Increased recruitment fees and replacement value –** increase in employee costs in line with latest available inflation data.	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.
3. IT/INFORMATION SECURITY AND FINANCIAL CONTROLS		
Business continuity (cyber attack scenario) – short term business closer, etc – loss of one month of revenue in FY24. **Reputation, reduced revenue –** no revenue growth for the duration of the plan from FY24 onwards. **Fines (i.e. regulatory) –** one-off charge of approx. £25 million as result of GDPR regulation breach in FY25, based on penalty regime currently in place.	1. IT and information security 3. Financial controls (Foreign Exchange, Treasury and Tax)	Sufficient committed credit facilities headroom maintained and tight cost control. 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. CLIMATE/ENVIRONMENT		
Regulatory environment, e.g. taxes/levies – Plastics Tax and similar regulatory impacts reduce profitability by £6 million per year. **Consumer choice, e.g. revenue impacts –** year-on-year revenue growth reduced by 1ppt compared base case across all commercial markets. **Lost production, e.g. factory loss from flooding –** Loss of 3 months of revenue in Indonesia.	9. Sustainability and the 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.
5. CASH REPATRIATION		
Inability to repatriate cash back to the UK due to local market illiquidity – no cash repatriated to the UK from Nigeria through the plan period.	3. Financial controls (Foreign Exchange, Treasury and Tax)	Sufficient committed credit facilities headroom maintained and tight cost control.

For the viability assessment, management considered the availability of committed credit facilities through the viability period. During the year, the Group agreed a new £325 million committed credit facility which incorporates a term loan and a revolving credit facility, and the Board is confident that during the period it will be able to exercise the options available to extend the facility, and to replace the term loan facility which matures during the viability period at the same level if required.

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.

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 from the current level, and the Board does not believe this scenario to be plausible. In such an event, 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.

GOVERNANCE

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.

OUR ENERGETIC VALUE IN ACTION.

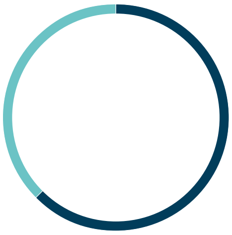
WE ARE UP FOR EVERY CHALLENGE

- Adapting with agility to stay ahead
- Responding at speed, building momentum
- Evolving to overcome every obstacle in our way.

Our Board

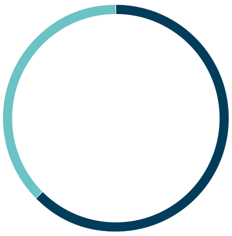
A DIVERSE AND EXPERIENCED BOARD.

GENDER DIVERSITY



Male	62.5%
Female	37.5%

TENURE



0–3 years	62.5%
4–7 years	37.5%

ETHNIC BACKGROUND

White British or Other White	87.5%
Asian/Asian British	12.5%

All figures are as at the date of this report.

David Tyler N
Non-Executive Chair

Jonathan Myers E
Chief Executive Officer

Sarah Pollard
Chief Financial Officer

John Nicolson A N
Senior Independent Director

Kirsty Bashforth R D E N
Non-Executive Director

Jeremy Townsend A N
Non-Executive Director

Jitesh Sodha A N R
Non-Executive Director

Valeria Juarez E N R
Non-Executive Director

Committees

- A Audit & Risk Committee
- R Remuneration Committee
- N Nomination Committee
- E Environmental and Social Impact Committee
- Chair

Other

- D Director with responsibility for representing the employee voice and employee engagement
- Executive

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

David Tyler

Non-Executive Chair

Appointed: 2022

Skills & experience: David Tyler joined the PZ Cussons Board as a Non-Executive Director in 2022, becoming Chair in March 2023. His business experience spans the consumer, retail, business services and financial services sectors. His executive career (1974 to 2006) was spent in financial and general management at Unilever, NatWest, Christie's and GUS. Since 2007, he has had a non-executive career, chairing Sainsbury's, Logica, Hammerson, 3i Quoted Private Equity, the White Company, Imagr and Hampstead Theatre. He has also been a Non-Executive Director at Experian, Burberry, Reckitt Benckiser and Rubix. David currently chairs Domestic & General, JoJo Maman Bébé and the Government-backed Parker Review on ethnic diversity in UK business.

Other appointments:

- Director and Chair of Domestic & General Limited
- Director and Chair of JoJo Maman Bébé Ltd.

Jonathan Myers

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, he was Chief Operating Officer at Avon Products Inc, with overall responsibility for supply chain, marketing, digital, research and 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, working across a wide range of categories with extensive experience in developed and developing markets, progressing to general manager, oral care and feminine care for the Greater China Region. He has also held senior leadership positions at the Kellogg Company, serving as managing director, UK and Ireland and also vice president, European markets.

Sarah Pollard

Chief Financial Officer

Appointed: 2021*

Skills & experience: Sarah joined PZ Cussons from Nomad Foods, Europe's leading frozen food company, where she served as Deputy Chief Financial Officer. Prior to that, she was Chief Financial Officer for their Birds Eye business. Sarah is a chartered management accountant, having qualified with PricewaterhouseCoopers, and subsequently worked in investment banking, specifically in mergers and 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.

John Nicolson

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.

Kirsty Bashforth

Non-Executive Director

Appointed: 2019

Skills & experience: Kirsty is an experienced remuneration committee chair and assumed this role on the Board from 1 July 2020. In her executive career of more than 30 years, she has most recently been Chief Business Officer at Diaverum AB (2020 to 2023), and before that, spent 24 years at BP plc in senior executive positions, including group head of organisational effectiveness and leading the strategic coordination of the company's global B2B business. Kirsty advises CEOs on change, organisational culture and leadership through her own QuayFive consultancy and also chairs the Corporate Responsibility committee at Serco Group plc.

Other appointments:

- Non-Executive Director of Serco Group plc.

Jeremy Townsend

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 & risk committee. Jeremy is also Chief Financial Officer at Marks and Spencer Group plc.

Other appointments:

- Non-Executive Director of NHS England (formerly NHS Improvement until 30 June 2022)
- Chief Financial Officer of Marks and Spencer Group plc.

Jitesh Sodha

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.

Other appointments:

- Chief Financial Officer of Spire Healthcare Group plc.

Valeria Juarez

Non-Executive Director

Appointed: 2021

Skills & experience: Valeria is an international business leader with a focus on digital, brand building and business transformation. Over the last 27 years, she has worked for both developed and emerging markets at Ralph Lauren, Amazon, Diageo, Boston Consulting Group and Procter & Gamble. She has extensive experience of general management, digital, strategy, commercial, innovation and marketing covering branded consumer goods, fashion and online retailing. She has been most recently the SVP of digital commerce for Ralph Lauren International.

* All Directors were independent on appointment except for Jonathan Myers and Sarah Pollard.

Our Executive Leadership Team

A STRENGTHENED EXECUTIVE LEADERSHIP TEAM.

Jonathan Myers
Chief Executive Officer

Appointed to current role: 2020

Sarah Pollard
Chief Financial Officer

Appointed to current role: 2021

Cath Bailey
Chief People Officer

Appointed to current role: 2023

Andrew Geoghegan
Chief Marketing Transformation Officer

Appointed to current role: 2021

Joanna Gluzman
Chief Sustainability Officer

Appointed to current role: 2021

Jawaz Illavia
Chief Information Officer

Appointed to current role: 2023

Dimitris Kostianis
Transformation Leader, and Chief Executive Officer of PZ Cussons Nigeria Plc

Appointed to current role: 2023

Ningcy Yuliana
Managing Director of PZ Cussons Indonesia

Appointed to current role: 2023

Oghale Elueni

Managing Director – Africa Consumer Business

Appointed to current role: 2023

Tracey Mann

Managing Director – Beauty

Appointed to current role: 2022

Kevin Massie

General Counsel and Company Secretary

Appointed to current role: 2020

Steve Noble

Chief Supply Chain Officer

Appointed to current role: 2021

Alastair Smith

Alastair Smith, Managing Director – ANZ

Appointed to current role: 2022

Robert Spence

Managing Director – UK

Appointed to current role: 2022

Paul Yocum

Managing Director – Business Development

Appointed to current role: 2022

Chair's Introduction to Governance

"Strong and effective governance is key to our success. As I commence my tenure as Chair, I am very encouraged to see both the strategic progress made in our business in recent years and the strengthened governance environment which underpins all that we do."

DEAR SHAREHOLDER

I am pleased to present this Governance Report for the year on behalf of the Board, my first as Chair. I express my thanks to Caroline Silver, my predecessor, for leading the governance of the Group expertly during her period as Chair.

This has been a busy year for the Board with significant progress being made to build a simpler and more sustainable business despite the challenges in our markets as discussed in the Strategic Report. I would like to thank all of my Board colleagues for their commitment, and support.

I draw attention as follows to key areas of focus for the Board during the year and priorities for the next 12 months.

BOARD EFFECTIVENESS

Good governance is key to the performance of listed companies and the Board is highly conscious that its own effectiveness is central to this. This year, we have concluded an externally facilitated review of the effectiveness of the Board and its Committees. This exercise confirmed that the Board and its Committees are operating effectively and some great opportunities were identified to improve further. These opportunities are captured in the FY24 Board priorities on page 94. I can confirm that each Director's performance continues to be effective, demonstrating a high level of commitment to their roles. For more on this, see the Nomination Committee Report on page 90.

BOARD COMPOSITION AND SUCCESSION PLANNING

The Board is composed of a Non-Executive Chair, Chief Executive Officer, Chief Financial Officer and five independent Non-Executive Directors. We intend to focus more this year on succession planning for the Board and particularly for the Executive Leadership Team. More details of changes in the last year and plans for the future are set out in the Nomination Committee Report on page 90.

BOARD COMMITTEES

Our Board Committees have focused on key activities under their remit.

- The Audit & Risk Committee led a tender process which has led to the recommendation to shareholders that PricewaterhouseCoopers LLP (PwC) be appointed as our Group auditors for the FY24 audit year. In addition they monitored and scrutinised progress against our multi year controls improvement journey and set our priorities for further work in this area for FY24.
- The Remuneration Committee has concluded a detailed review of the Directors' Remuneration Policy and made proposals for the new Remuneration Policy following a process of shareholder engagement and consultation.
- The Environmental and Social Impact Committee has made good progress steering our sustainability journey and further setting and clarifying its scope.
- The Nomination Committee led the orderly succession planning and process for my appointment as Chair.

2023 FOCUS AREAS.

Chair succession	Board evaluation	Strategy delivery	Audit tender	Remuneration policy	Nigeria simplification

DIVERSITY, EQUITY AND INCLUSION

Diversity, Equity and Inclusion (DEI) is a key priority for the Board given its impact on the culture of the organisation and the quality of management's decision-taking. We plan to carry out a Maturity Assessment of DEI in the coming year, to enable us to benchmark our position. Thereafter, a new DEI strategy will be developed for the review of the Board and this will be set out in our 2024 Annual Report.

For all of us, the issue of diversity is a priority. We believe in creating a business environment where everyone from every background can thrive and feel welcome. The Board has an Inclusion and Diversity Policy for Board and Executive Leadership Team (ELT) appointments which is available in full on the Company's website. Personally, I have been very active in this area as co-Chair, and now Chair, of the Government-backed Parker Review on ethnic diversity in UK business. I believe that enhancing the ethnic diversity of a business will both improve its competitive position and provide fair opportunities for members of every community.

STAKEHOLDER ENGAGEMENT

The Board regularly engages with shareholders to help inform strategic decision-making and to understand their views. Throughout the year, the Board received updates on shareholders, including their feedback and key areas of focus and views. Stakeholder feedback is critical to the Board, influencing its decision-making. The Chair of the Board and each of the Committees is available to shareholders for discussion and actively seek opportunities to engage, whether in person at the AGM or other shareholder engagement events, or through our Investor Relations team reaching out to key shareholders proactively offering meetings on relevant topics. For more on dialogue with our stakeholders, see page 43.

OUTLOOK

The Board is responsible for setting the right tone from the top and maintaining high standards of corporate governance. During the next year, we plan to agree the Group's DEI strategy and refresh succession planning for key Board and Executive roles. We will also continue to focus on our sustainability strategy.

THE ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) this year, will be hosted at the Company's offices, Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG on 23 November 2023. Together with my fellow Directors, I look forward to meeting shareholders at our AGM. We will welcome your feedback on that occasion and, indeed, at any time in the year.

David Tyler
Non-Executive Chair

26 September 2023

For more details see our Audit & Risk Committee Report / **Pages 96 to 101**

For more details see our Remuneration Committee Report / **Pages 104 to 109**

For more details see our Environmental and Social Impact Committee Report / **Pages 102 to 103**

For more details see our Nomination Committee Report / **Pages 90 to 95**

Board Activity at a Glance

In addition to the standing items considered by the Board, the matters set out below were considered and approved.

STRATEGY

Board matters discussed	Stakeholders affected	Link to strategic objectives
2022 Strategy day • Supply chain transformation • Organic growth • M&A ambitions • Capital allocation • Digital strategy • Sustainability • Organisational design	• Customers/Consumers • Investors • Communities – Environment • Suppliers	
Development of KPI dashboard	• Investors	
Talent development as key strategy	• Employees	
Ownership of ESG	• Communities – Environment • Investors	
Employee engagement including survey results and action plan and personalised 'thank you' notes	• Employees	

OPERATIONS

Board matters discussed	Stakeholders affected	Link to strategic objectives
International market reviews	• Investors • Customers • Suppliers	
Business development, market transformation and innovation	• Investors • Employees • Suppliers	
Function review – Legal, Governance and Compliance	• Employees	
Launch of UK graduate and intern programme	• Employees	

Strategic objectives

- Build Brands
- Serve Consumers
- Reduce Complexity
- Develop People
- Grow Sustainably

FINANCE

Board matters discussed	Stakeholders affected	Link to strategic objectives
Market reviews and pricing strategies	• Investors • Employees	
Results reporting, including Annual Report and Accounts	• Investors • Employees	
Dividend payments	• Investors	
Principal and emerging risks	• Investors • Employees • Community	
Budget approval	• Employees • Investors	
Group tax strategy	• Investors	
Audit tender	• Investors	

GOVERNANCE

Board matters discussed	Stakeholders affected	Link to strategic objectives
Appointment of the new Chair and Board composition	• Employees • Investors	
Shareholder communications including Annual General Meeting	• Investors	
Governance disclosures including Modern Slavery Statement	• Employees • Community	
Board and Committees evaluation	• Customers/Consumers • Investors • Communities – Environment • Suppliers	
Review of Board policies **Board reserved matters** **Statement of Board responsibilities** **Terms of Reference**	• Investors	

For more on our Strategy / **Page 18**

For more on our Section 172(1) statement / **Page 43**

Corporate Governance Statement 2023

This Corporate Governance Statement as required by the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules 7.2 (DTR 7.2), together with the rest of the Corporate Governance Report and the Committee Reports, forms part of the Report of the Directors and has been prepared in accordance with the principles of the Financial Reporting Council's UK Corporate Governance Code 2018 (the 2018 Code). A copy of the 2018 Code can be found on the Financial Reporting Council's website: www.frc.org.uk.

Additional requirements under the DTR 7.2 are covered in greater detail throughout the Annual Report for which we provide reference as follows:

The Group's Risk management and internal control are found on page 58

Information with regards to share capital is presented in the Report of the Directors from page 132

Information on Board and Committee composition can be found on page 74

Information on Board diversity including the Board Inclusion and Diversity Policy can be found on page 92

The Company's obligation is to state whether it has complied with the relevant principles and provisions of the 2018 Code, or to explain why it has not done so up to the date of this Annual Report. The Company has complied with the principles and provisions of the 2018 Code during the financial year ending 31 May 2023.

BOARD LEADERSHIP AND COMPANY PURPOSE

The following pages will outline how the Company complies with the principles and provisions of the 2018 Code. Where supporting information is found outside of this Governance Report or in addition to this Governance Report, the page reference is given in the table below.

Code Principle and Description	Annual Report and Accounts	Reference
A Effective Board	• Nomination Committee Report	See page 90
B Purpose, strategy, values and culture	• Strategic Report	See page 8
C Prudent and effective controls and Board resources	• Strategic Report – managing risk	See page 58
D Stakeholder engagement	• Creating a dialogue with our stakeholders	See page 43
E Workforce policies and practices	• Non-Financial Information and Sustainability Statement • Audit & Risk Committee Report	See pages 42 and 96

Effective Board

The Board understands that its 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 14 and 18 of the Strategic Report and describes the basis upon which the Company generates and preserves value over the long-term.

The Company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Company, thereby generating value for investors and contributing to wider society.

A Board evaluation was carried out in April and May 2023 by external evaluators Board Clic, working with Alison Purdue Associates and Board Intelligence. For more on this see the Nomination Committee Report on pages 90 to 95.

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.

Board development and training

The Chair is responsible for leading the development, and monitoring the effective implementation, of training policies and procedures for the Directors. On appointment, each Director receives a formal and tailored induction. There is also a programme of ongoing training for Directors. The Directors are committed to their own ongoing professional development and the Chair discusses training with each Non-Executive Director at least annually. The Board undertakes a cycle of training on relevant corporate governance matters and matters relevant to operational and strategic objectives. Training is typically provided by the Company's external advisers.

Stakeholder engagement

We recognise the importance of clear communication and proactive engagement with all of our stakeholders. During the year under review, the Board used various engagement channels to receive valuable feedback from our key stakeholders.

For more details see our Section 172(1) Statement Creating a dialogue with our stakeholders on page 43

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

The Board recognises that employee engagement is the responsibility of the whole Board and that our employees are our biggest asset. In the last financial year, the Board approved a plan 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.

In line with the 2018 Code, Dariusz Kucz was our Designated Non-Executive Director for workforce engagement in the year. Kirsty Bashforth took over this role from him after he stepped down from the Board on 14 September 2023 and she now has responsibility for ensuring that the Board engages effectively with our workforce.

Core themes for the year have been:

- Strategy, including new purpose, culture and values
- Executive Director remuneration and its alignment with broader workforce remuneration policies
- Employee safety and wellbeing
- Learning and careers
- Diversity and inclusion.

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 market visits by Non-Executive Directors, 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 Company purpose.

Designated Non-Executive Director for workforce engagement

Engagement methods

- Attended a number of sessions on different platforms, ranging from global Town Halls to smaller group sessions
- Attended engagement events in Lagos on BEST values roll-out via video conference
- A number of engagements were held with Beauty team members where we had seen lower engagement scores.

Workforce concerns

- Inflation
- Reward and cost-of-living challenges
- Reducing carbon footprint.

STATEMENT OF ENGAGEMENT WITH OTHER BUSINESS RELATIONSHIPS

The Directors have regard for the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

This statement should be read in conjunction with our Section 172(1) Statement and Creating a dialogue with our stakeholders on page 43, the Non-Financial Information and Sustainability Statement on page 42 and Board principal decisions on page 46.

Corporate Governance Statement 2023 continued

DIVISION OF RESPONSIBILITIES

Code Principle and Description	Annual Report and Accounts	Reference
F Board roles	• Our Board	See page 74
G Independence	• Our Board • Nomination Committee Report	See pages 74 and 90
H External commitments	• Our Board	See page 74
I Board efficiency: Key Board activities	• Section 172(1) Statement	See page 43

Board roles

The responsibilities of the Chair, Chief Executive Officer, Senior Independent Director and Board and Board Committees are clear, set out in writing and regularly reviewed by the Board. There is a clear division between the Executive and Non-Executive responsibilities.

Role	Responsibilities
Chair of the Board David Tyler	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 and • Promoting high standards of integrity and corporate governance throughout the Group, particularly at Board level.
Chief Executive Officer Jonathan Myers	The Chief Executive Officer 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. Specific responsibilities include: • 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 (ELT) • 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 ELT 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 Chief Financial Officer's specific responsibilities include: • Implementing the Group's financial strategy, including balance sheet management and capital allocation • Supporting the Chief Executive Officer in the delivery of the Group's strategy and financial performance • Overseeing financial reporting and internal controls.

Role	Responsibilities
Senior Independent Non-Executive Director John Nicolson	The Senior Independent Non-Executive Director's specific 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 and • 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 Officer.
Non-Executive Directors	The Non-Executive Directors' specific responsibilities include: • Contributing to the development of the Group's strategy • Promoting and supporting the Group's values and commitment to high standards of corporate governance and • Reviewing, oversight and constructive challenge of the ELT on the delivery of the Company's objectives and strategy.

GOVERNANCE FRAMEWORK

The Board recognises that a good governance structure is not static but allows the Group to grow and develop.

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 budget, 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.

Corporate Governance Statement 2023 continued

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.

THE BOARD DELEGATES RESPONSIBILITY FOR CERTAIN MATTERS TO ITS PRINCIPAL COMMITTEES*

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.

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.

Remuneration Committee

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

Environmental and Social Impact Committee

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

THE EXECUTIVE LEADERSHIP TEAM (ELT)

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

BALANCE OF INDEPENDENCE

The Board currently comprises five 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.

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.

* 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.

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 the Directors spend considerably more than this amount of time on Board and Committee activity.

BOARD MEETING 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. The following table sets out the attendance of Directors at the scheduled Board meetings held during the year. Attendance is shown as the number of meetings attended by every Director eligible to attend. Attendance at Committee meetings is shown in the tables at the beginning of each Committee report.

Board members	Member since	Meetings attended
David Tyler[1]	2022	4/4
Caroline Silver[2]	2014	6/6
Jonathan Myers	2020	7/7
Sarah Pollard	2021	7/7
John Nicolson	2016	7/7
Kirsty Bashforth	2019	7/7
Dariusz Kucz[3]	2018	7/7
Jeremy Townsend	2020	7/7
Jitesh Sodha	2021	7/7
Valeria Juarez	2021	7/7

1 Appointed as a Director on 24 November 2022.
2 Stepped down as a Director on 23 March 2023.
3 Stepped down as a Director on 14 September 2023.

BOARD ACTIVITY

During the year, the Board held six scheduled meetings and a Board strategy day. A rolling agenda and forward calendar have 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 Officer and to provide comments.

In line with the annual rolling agenda, the Board considered a number of topics on a regular basis. These included:

- Executive reports, including operational and financial performance, market summaries, health and safety and other matters
- Strategy and strategic projects
- Reports from each Board Committee following Committee meetings
- Reports from the Board's Designated Non-Executive Director for workforce engagement
- Market reviews by regional leads
- Function reviews
- Governance, compliance and legal matters.

Private meetings of the Non-Executive Directors are also held on a regular basis at the conclusion of Board meetings.

Corporate Governance Statement 2023 continued

BOARD COMPOSITION, SUCCESSION AND EVALUATION

The following pages will outline how the Company complies with the principles and provisions of the 2018 Code. Where supporting information is found outside of this Governance Report, the page reference is given in the table below.

Code Principle and Description	Annual Report and Accounts	See page
J Appointments to the Board	• Our Board	• See page 74
K Board composition • Board skills and experience • Succession	• Our Board • Nomination Committee Report	• See page 74 • See page 90
L External commitments	• Nomination Committee Report	• See page 90

Appointments to the Board

David Tyler succeeded Caroline Silver as Non-Executive Chair of the Board on 23 March 2023. Caroline retired from the Board having served as Chair for six years and as a Board Director since April 2014. David also chairs the Nomination Committee.

See the Nomination Committee Report on page 93 for a detailed breakdown of this appointment process

Skills, experience and knowledge

Our Board is a diverse and effective team, focused on promoting the long-term success of the Group for the benefit of all stakeholders.

For more details see Our Board on page 74 for:

- Directors' core areas of expertise
- Ethnic background
- Independence
- Gender diversity
- Tenure
- External appointments

AUDIT, RISK AND INTERNAL CONTROL

The following pages will outline how the Company complies with the principles and provisions of the 2018 Code. Where supporting information is found outside of this Governance Report, the page reference is given in the table below.

Code Principle and Description	Annual Report and Accounts	See page
M Effectiveness of External Auditor and internal audit and integrity of accounts	• Audit & Risk Committee Report	• See page 96
N Fair, balanced and understandable assessment of Company's prospects	• Audit & Risk Committee Report • Report of the Directors	• See page 96 • See page 132
O Internal financial controls and risk management	• Audit & Risk Committee Report • Risk Management	• See page 96 • See page 58

The Board's objective is to give shareholders a fair, balanced and understandable assessment of the Group's position and prospects for the business model and strategy and it has responsibility for preparing the Annual Report and Accounts. The Board is also responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations. You can find an explanation from the Directors about their responsibility for preparing the financial statements in the Statement of Directors' responsibilities in the Report of the Directors.

For more details see:

- Financial reporting page 101
- Internal financial controls pages 96 to 101
- Internal and external audit pages 96 to 101
- Risk management pages 58 to 71
- Cyber security page 62
- Significant financial judgements page 99
- Assurance over external reporting pages 140 to 150
- External audit tender page 98
- Business continuity and disaster recovery page 62
- Report on the Directors' Remuneration page 119

REMUNERATION

The Code provides that remuneration policies and practices must be designed to support strategy and promote long-term sustainable success. The Board delegates responsibility to the Remuneration Committee, comprised of exclusively independent Non-Executive Directors, to ensure that there are formal and transparent procedures for developing policy for the remuneration of Executive Directors and senior management and application of policy.

Code Principle and Description	Annual Report and Accounts	See page
P Linking remuneration purpose and strategy	• Remuneration Committee Report • Remuneration Policy	• See page 104 • See page 110
Q A formal and transparent procedure for developing policy	• Remuneration Policy	• See page 114
R Independent judgement and discretion	• Remuneration Committee Report	• See pages 107, 111 to 114, 115, 117, 122, 129

The Remuneration Committee Report sets out the proposed new Directors' Remuneration Policy, which is subject to a binding vote at our 2023 Annual General Meeting, how the current Directors' Remuneration Policy was applied throughout FY23 and how the proposed new Policy will be applied during FY24.

Nomination Committee Report

THIS YEAR THE COMMITTEE HAS LED THE PROCESS FOR CHAIR SUCCESSION AND REVIEWING THE EFFECTIVENESS OF THE BOARD.

Committee membership and attendance

Committee members	Member since	Attendance
David Tyler[1]	2022	1/1
Caroline Silver[2]	2014	3/3
John Nicolson	2016	3/3
Kirsty Bashforth	2019	3/3
Dariusz Kucz[3]	2018	3/3
Jeremy Townsend*	2023	–
Jitesh Sodha*	2023	–
Valeria Juarez*	2023	–

1 Appointed as Chair of the Committee with effect from 23 March 2023.
2 Stepped down as a Director on 23 March 2023.
3 Stepped down as a Director on 14 September 2023.
* Appointed to the Committee on 19 June 2023.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

- Recruitment process and appointment of the new Chair
- Induction of David Tyler as Chair of the Company
- 2023 Board and Committees external evaluation
- Reviewed the Board and Committee membership and composition (including diversity).

DEAR SHAREHOLDERS,

As Chair of the Nomination Committee, I am pleased to present its report for the year ended 31 May 2023. Caroline Silver was Chair of the Committee during the great majority of the period under review. I present this report on her behalf and we thank Caroline for her leadership of this Committee until her departure and my appointment as Chair in March of this year.

During the year, the Committee focused much of its time on Board succession planning and particularly on the search for and, ultimately, appointment of myself as the new Chair of the Board and of this Committee. That process was led by John Nicolson as Senior Independent Director and his summary of the process itself is set out on page 93.

Consideration has been given to tenure of Board members and potential future Board retirements, and the impact of these on membership of the Board and its Committees. Ongoing succession planning will be a key focus for 2024 for the Board, its Committees and the Executive Leadership Team (ELT).

Committee role

- Regularly review the leadership and succession needs of the business
- Regularly review the structure, size and composition of the Board and its Committees
- 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
- Ensure diverse pipeline for succession.

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 2024

- Review talent and succession plans
- Conduct an internal Board evaluation
- Ensure that the appropriate mix of knowledge, skills, experience, and diversity is maintained on the Board and the ELT
- To approve formal succession plans for the Board, its Committees and senior management.

HOW THE COMMITTEE OPERATES

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

Only members of the Committee are entitled to attend the meetings. Other individuals, such as the Chief Executive Officer, Chief People Officer and external advisers, may be invited to attend 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 Code) and are available on the Company's website at www.pzcussons.com.

BOARD MEMBERSHIP

On 14 June 2023, Dariusz Kucz informed the Company that he would step down from the Board with effect from 14 September 2023. The Nomination Committee has no immediate intention to replace him but will consider future structure in the light of the Board evaluation and other future developments.

The Committee approved a recommendation to the Board that Jeremy Townsend be reappointed as a Non-Executive Director with effect from 1 April 2023, his first three-year term expiring on 31 March 2023.

As part of an exercise to align terms of appointment, for example, in relation to notice periods, the Committee approved the amendment and restatement of the Letters of Appointment for Non-Executive Directors John Nicolson, Kirsty Bashforth, Dariusz Kucz, Jitesh Sodha and Valeria Juarez.

BOARD COMMITTEE MEMBERSHIP

Immediately after the completion of the Board evaluation, I held one-to-one meetings with every Board member about the conclusions of it. In particular, these discussions brought the considerations of the Nomination Committee to a conclusion on the composition of each Board Committee, with the aim of ensuring all of them have the relevant members and skills.

The membership of the Committees of the Board changed with effect from 19 June 2023. The up-to-date memberships of each Committee can be seen on page 74 in the Board section of this report.

The Nomination Committee will now include as members, all Non-Executive Directors and will continue to be chaired by me.

The Audit & Risk Committee and the Remuneration Committee have three members and they continue to be chaired by Jeremy Townsend and Kirsty Bashforth respectively.

The Environmental and Social Impact Committee will take responsibility for environmental and social issues. Responsibility for governance issues will revert directly to the Board. Its new Chair will be Valeria Juarez and Kirsty Bashforth will serve on that Committee.

The designated Non-Executive Director for employee engagement following the resignation of Dariuscz Kucz will be Kirsty Bashforth.

Nomination Committee Report continued

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. The balance of Directors (excluding the Chair) was two Executive Directors and five independent Non-Executive Directors on the date of this report.

The Board complies with the provisions of the 2018 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 132) 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.

BOARD INCLUSION AND DIVERSITY

The Company is committed that the membership of the Board and its ELT reflect the diversity of our workforce and consumers in the countries in which we operate.

The Board and ELT 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.

The Company is a signatory to the 30% Club. We believe that gender diversity is good for our business. The Company had achieved the FCA guidelines of 40% women on the Board during the year, but with the retirement of Caroline Silver in March 2023, and the resignation of Dariusz Kucz, the Board's female representation at the date of this report is 37.5%.

Our Board meets the target set by the Parker Review on ethnic diversity by having one Director from a minority ethnic background. It also meets the FTSE Women Leaders Review target for one senior position to be held by a woman. We will bear in mind, when making future appointments to the Board, that we have a modest shortfall against the target for female representation: 37.5% versus 40%, which can largely be attributed to the relatively small size of our Board which magnifies the impact of a single change.

When evaluating candidates, the Company seeks to make decisions based on merit and objective criteria as well as the needs of the Board and ELT, having due regard to the benefits of all types of diversity, including 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 diversity and best practice or who can demonstrate equivalent commitments to inclusion and diversity.

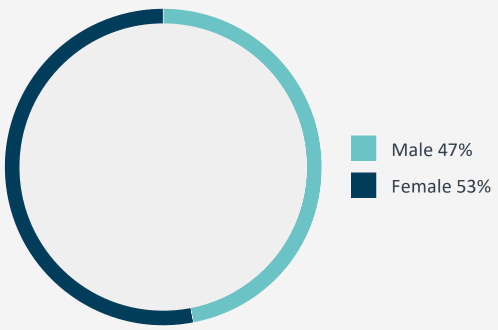
The Company aims to achieve long and short lists of candidates that reflect its diversity commitments. In respect of Board appointments, the Company considers candidates from non-traditional corporate backgrounds, including from non-profit organisations, the public sector and academia. Prior listed board experience is not a requirement for every appointment.

SUCCESSION PLANNING

The Committee will ensure that enhancing the Board's skills, succession planning and diversity remain on its agenda. Succession planning has been discussed and written succession plans will be on the Committee's agenda during the current year.

SENIOR MANAGEMENT AND THEIR DIRECT REPORTS AS AT 31 MAY 2023

Senior management* and their direct reports are disclosed in accordance with the 2018 Code.



* The definition of 'senior management' for this purpose is the ELT. The names of our ELT members are set out on page 76.

RECRUITMENT AND APPOINTMENT OF THE NEW CHAIR

Steps taken to appoint the Chair

Subcommittee was established to lead the search and selection process.

The Subcommittee was committed to ensuring a diverse long list in all aspects, in accordance with the Inclusion and Diversity Policy for Board and ELT appointments and considering a mix of established and step-up candidates.

Long list of 60 candidates received from external consultants Egon Zehnder, a leading independent search firm. Egon Zehnder, who were selected in a competitive process, does not have any other connection with the Company or individual Directors.

19 candidates were considered in depth.

6 candidates were selected for interview by members of the Committee. They narrowed down the preferred list to 3 candidates.

Preferred list of 3 candidates were identified to meet the Chief Executive Officer and the then Chair.

All candidates were strong and possessed a range of skills and experience between them, matching well with our brief. There was a good level of interest in the role and active engagement in the process from all shortlisted candidates. The candidates were suitably diverse, this having been a key element of the selection criteria briefed to Egon Zehnder.

INDUCTION OF DAVID TYLER AS CHAIR

The Nomination Committee, through the Company Secretary, oversees the induction of all Directors. The purpose of the induction 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 People Officer.

The programme is structured to provide the information needed to engage in Board meetings in the same way as for other Non-Executive Directors joining the Board and is then further expanded to develop the oversight required as Chair.

The plan for David Tyler's induction consisted of the following elements, one of which is ongoing as his business visits are not yet complete:

- Meetings with the Executive Directors and senior management
- Meetings with external advisers
- Visits to key markets and sites
- Meetings with key shareholders
- Hard copy induction pack, including core governance documents
- Training on core areas, including the Market Abuse Regulation and directors' duties.

Nomination Committee Report continued

2023 BOARD AND COMMITTEE EVALUATION

To evaluate its own effectiveness, in accordance with best practice and the requirements of the 2018 Code, the Board undertakes annual effectiveness reviews using a combination of externally facilitated and internally run evaluations over a 3-year cycle. Each process is facilitated by the Company Secretary, working with the Chair. The cycle of the Board evaluations is summarised as follows:

YEAR 1

Externally facilitated Board evaluation using interviews.

YEAR 2

Follow-up on action prepared in response to the year one evaluation using internally facilitated questionnaires.

YEAR 3

Continued follow-up on actions arising from the previous two years using internally facilitated questionnaires.

The Board recognises the importance of continually monitoring and improving its performance. In accordance with the three-year cycle, this year the Board commissioned an external evaluation.

Process

The 2023 Board evaluation was externally facilitated by a partnership of BoardClic, Board Intelligence and Alison Purdue Associates. The partnership was selected following a formal tender process during which three shortlisted reviewers were interviewed by the Chair and the General Counsel and Company Secretary, and the recommendation was then endorsed by the Board. The partnership was selected due to its ability to bring deep expertise in the fields of digital board evaluation tools, board material analysis, and the human dynamic in board effectiveness. All three partners are considered independent as they do not have existing relationships with the Board or individual directors.

In order to gather and distil feedback, all Directors completed a tailored digital survey created by BoardClic and were then interviewed. Detailed interviews were conducted on an individual basis during April and May 2023 and considered all aspects of Board effectiveness together with the quality of information the Board receives. The Board evaluation also included a review of the Audit & Risk Committee and the Remuneration Committee.

A review of Board meeting documentation was also undertaken as part of the process.

The findings and recommendations of the evaluation were presented to and considered by the Board at its May meeting.

The Audit & Risk and Remuneration Committees considered the results of their own evaluations.

A number of recommendations were made to the Board and actions agreed.

The actions will be reviewed by the Board in order to track progress and maintain a focus on the effectiveness of the Board.

Conclusions and actions agreed from 2023 review

The conclusions of this year's review have been positive and confirmed that the Board as a whole, and the two Committees evaluated, remain effective.

The evaluation found that there are strong relationships between Directors and a supportive, respectful and collegial dynamic within the Board. The evaluation recognised the considerable progress the Board has made in governance effectiveness and management capability in recent years.

Areas identified to enhance the Board's effectiveness for the coming year include:

- An increased focus on the next phase of the development and execution of the Group's strategy
- Review of the size and composition of the Board for the future, aligned with the next phase of the strategy. This may lead to a greater amount of general experience at Board level of listed companies and more Directors with deep experience of key geographical markets
- Directors to contribute greater challenge and debate to ensure material issues are considered from all angles and that there is frequent ongoing discussion about the culture and openness of the process around the Board table
- Engaging stakeholders in determining company risk appetite and strengthening risk management processes
- Develop written succession plans for key Board and executive roles for both emergency cover and medium to long-term succession
- The introduction of an organisation-wide dashboard of Key Performance Indicators for the Board
- Re-balance Board agendas to increase the focus on strategy, allocating more time for challenge and debate rather than reporting.

BOARD AND EXECUTIVE MANAGEMENT DIVERSITY DATA

Board and executive management reporting on gender identity or sex

We report our Board and executive management diversity data as follows as at our chosen reference date of 26 September 2023 (the date of this Annual Report and Accounts) further to the new UK Listing Rules requirements.

As at 31 May 2023, the Board included three women Directors representing 33% of the Board. One of the four senior positions on the Board was held by a woman and one Director from a minority ethnic background.

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 names of our Board and ELT members are set out on pages 74 to 77.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management
Men	5	62.5%	3	10	66.7%
Women	3	37.5%	1	5	33.3%
Other categories	0	–	0	0	–
Not specified/prefer not to say	0	–	0	0	–

1 Executive management means the ELT (the most senior executive board below the Board). The Chief Executive Officer and Chief Financial Officer are included in the data fields for the Board and the ELT as they are members of both respectively.

Board and executive management reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5%	4	12	80%
Mixed/Multiple Ethnic Groups	0	–	0	0	–
Asian/Asian British	1	12.5%	0	2	13.3%
Black/African/Caribbean/Black British	0	–	0	1	6.7%
Other ethnic group, including Arab	0	–	0	0	–
Not specified/prefer not to say	0	–	0	0	–

Data in relation to the gender of employees is collected voluntarily via our people management information system Workday through which the individual self-reports their gender identity (or specifies they do not wish to report such data). The criteria of the standard form questionnaire are fully aligned to the definitions specified in the UK Listing Rules, with individuals requested to specify: self-reported gender identity. Selection from 'a' male; 'b' female; 'c' other category/please specify; 'd' not specified (due to local data privacy laws); or 'e' prefer not to say. For Non-Executive Board members, we collect data voluntarily through a manual process.

Data in relation to ethnicity is currently collected via a manual process managed by the Company Secretariat. Each individual Board member and member of the ELT is requested to self-report ethnic background in accordance with the classifications prescribed in the UK Listing Rules as designated by the UK Office of National Statistics. As set out in the table above, these are 'a' White British or other White; 'b' Mixed or Multiple Ethnic Groups; 'c' Asian or Asian British; 'd' Black; 'e' Other ethnic group/please specify; or 'f' not specified/prefer not to say.

David Tyler

Nomination Committee Chair

26 September 2023

Audit and Risk Committee Report

THE COMMITTEE HAS CONTINUED TO FOCUS ON EMBEDDING PROCESSES AND CONTROLS.

Committee membership and attendance

Committee members	Member since	Attendance
Jeremy Townsend	2020	4/4
John Nicolson	2016	4/4
Dariusz Kucz[1]	2018	4/4
Jitesh Sodha	2021	3/4

1 Director stepped down from the Committee on 14 September 2023.

DEAR SHAREHOLDERS,

I am pleased to present the Committee's report for the financial year ended 31 May 2023 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 designed as part of our ongoing Controls improvement programme and in connection with the anticipated arrival of Corporate Reforms which are commonly referred to as UK Sox. This Control Transformation 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 improving the overall control environment and preparing the Group for the introduction of the UK government's proposed regulatory change and corporate governance code reform leading to future Director declaration of effectiveness of material internal controls over reporting.

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.

ACTIVITIES DURING THE YEAR

Over the course of FY23, the Committee:

- Oversaw a competitive tender process resulting in a recommendation to appoint PwC as External Auditor for the year ended 31 May 2024 which was approved by the Board
- Oversaw continued progress of the Controls Transformation Project which will result in an improved internal control framework and environment, along with a review and improvement of finance shared services organisation design, capability, control and efficiency. As noted in last year's report, while progress continues to be 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 government's proposed regulatory change and corporate governance code reform leading to increased future requirements of audit assurance and Directors declarations over the effectiveness of material internal controls over reporting (UK Sox)

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 whistleblowing arrangements and procedures for detecting fraud.

Priorities for 2024

- Oversee and assess management's continued progress on internal controls
- Review financial accounting and reporting
- Continued focus on cyber-risk profile and mitigation plans
- Improve ESG assurance and reporting
- Continue to support the improvement of the Internal Audit & Risk function to ensure they provide value and drive the business forwards
- Oversee transition to the new External Auditor.

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

- 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 99 of this report
- Closely monitored improvements in payment practices which are registered with the UK government's online portal
- Monitored the impact of the acquisition of Childs Farm in FY22
- Strengthened the Internal Audit & Risk team with additional resource
- An external review of the Committee's effectiveness was carried out in conjunction with the FY23 Board evaluation. The results were positive and objectives agreed for the Board as a whole. More information on the external review process is set out on page 94 of this report
- 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 FY23 the Committee met four 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 Internal Audit & Risk Director 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. Currently I serve as chief financial officer of Marks and Spencer Group plc. I have also served as CFO 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 74. 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.

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 External Auditor so this is their sixth year of auditing the Group. John Charlton has been lead partner through FY23.

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 FY23.

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 2023, 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 Risk Committee Report continued

RELATIONSHIP WITH THE EXTERNAL AUDITOR CONTINUED

External Auditor tender

The Board has announced its intention to appoint PricewaterhouseCoopers (PwC) as its External Auditor for the year ending 31 May 2024.

This follows a competitive tender process announced by the Company on 21 April 2023 and overseen by the Committee and resulting in a recommendation which was approved by the Board.

The appointment of PwC will be recommended to the Company's shareholders for approval at the 2023 AGM.

In the 2022 Annual Report, the Company announced its intention to commence a tender process for the appointment of its External Auditor, Deloitte having been appointed as External Auditor in 2017 and continuing through FY23.

Led by the Committee and the Company Secretarial and Finance teams, the primary objective was to ensure a fair and transparent tender process and to appoint the audit firm that will provide the highest quality in the most effective and efficient manner.

As part of planning the tender process, the Committee has taken due regard of the current FRC guidance on audit tenders.

In selecting a long list of firms to be considered to invite to tender the Committee's selection considerations included:

- Independence criteria
- Audit capability and competence
- Audit Quality Review performance
- FMCG experience and breadth of subject matter experts
- Capacity to provide a robust audit.

The tender process included the following steps:

- Before the formal process begins
  - Selecting firms to involve
  - Considering the audit team of each firm
  - Defining critical success factors.
- Tender process period
  - Issue Request for Proposal
  - Providing access to management and data room
  - Considering technical challenges.
- Selected firms provided a proposal document for consideration.
- Selected firms presented to management and the Committee.
- Decision-making and recommendations made to the Board
  - PwC provided the preferred global proposal which was determined by the Committee and recommended to the Board
  - It is the Board's intention to recommend the appointment of PwC to shareholders at the 2023 Annual General Meeting, and a resolution has been prepared accordingly with PwC's first report to members being on the results to 31 May 2024.

Audit and non-audit fees

The Company paid £3 million in audit fees for the financial year ended 31 May 2023.

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 £40k to Deloitte in respect of the review of the interim statement released in February 2023. The non-audit to audit fee ratio is 1.3%.

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 Internal Audit & Risk Director 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 2023 are set out below:

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 included impairment testing of goodwill, intangible assets and tangible assets and associated discount rates; the treatment of uncertain tax positions across the Group; consideration of the impact of Naira devaluation on the Group; the treatment as permanent as equity of certain intercompany balances held with our Nigerian businesses; the treatment of trade expenditure and the processes and controls in place to manage associated risks; and the classification and disclosure of adjusting items. Additional focus was given to out of period adjustments. More information is available in note 1(c). 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 the work underway to design and then embed controls improvements throughout the Group. The Controls Transformation project is focused on improving the use of SAP, standardising processes and embedding controls. 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 and efficiency.
Risk management	The Committee reviewed the development of risk management across the Group and approved the appointment of the new Group Internal Audit & Risk Director as well as a new Head of Group Risk. The Audit & Risk Optimisation programme will commence in FY24 to ensure risk management is further embedded into strategic decision-making.
Ethics and compliance	The Committee monitored investigation reports and was satisfied that management was significantly reducing the Company's risk profile for fraud and compliance issues.
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.

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.

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.

Audit and Risk Committee Report continued

RISK MANAGEMENT AND INTERNAL CONTROLS CONTINUED

During the year the Board reviewed their approach to Risk Management and as a result a new Group risk management framework was approved by the Audit & Risk Committee in 2023, and will be operational during FY24. This compliments the work that the Audit & Risk Committee has set for the multi year controls improvement plans to address existing weaknesses identified including upgrading the systems used to record trade promotions, improving our joiners, movers and leavers processes through optimisation of our human resources system and addressing outstanding segregation of duty conflicts within our enterprise management systems.

While the Committee notes the controls improvements made over the course of FY23, including the design and further development of a Group wide framework of internal controls over financial reporting and an improvement in the process to track and close audit actions, 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 FY24 and beyond.

INTERNAL AUDIT FUNCTION

A key source of internal assurance is the delivery of an internal audit plan, which is designed to help the organisation achieve its strategic priorities. The Internal Audit function is led by a recently appointed, permanent Group Internal Audit & Risk Director, who 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 for the Internal Audit function to operate within. It 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 Group Internal Audit & Risk Director reports progress against the Internal Audit Plan and highlights significant findings at the Committee meetings. The Group Internal Audit & Risk Director also has regular meetings with the Audit & Risk Committee Chair and the CFO outside of the meetings where appropriate.

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 Group uses a risk management process and common risk framework to ensure we identify, assess, and mitigate risks that threaten the successful delivery of our strategic objectives. The revised framework 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 while also ensuring appropriate reporting procedures.

The risk management process covers initial risk identification, including emerging risks, assessment of the risk, evaluation of the target risk, the extent to which risks can be mitigated 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.

The Committee is satisfied that the risk management framework is effective while undertaking plans to refresh risk management processes with the arrival of a new Head of Risk (see Risk Management pages 58 to 71).

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 which links to 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 Company Secretary along with the Group Head of Ethics and Compliance. The Committee receives 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 35 to 39.

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.

Set out on page 98 are details of the tender process undertaken in the year and resulting in the recommendation to be put to shareholders to appoint PwC as External Auditor for the year ending 31 May 2024.

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 FY24, 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 Financial Reporting processes and controls over the 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 Financial Reporting 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 Committee reviewed the interim financial statements for the six months to 3 December 2022 and the full-year financial statements and Annual Report for the year to 31 May 2023. The principal steps taken by the Committee during the past 12 months in relation to its review of the published financial statements were:

- Review of the 2022 interim financial statements and 2022 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 2023
- 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 2023 and consideration of Deloitte's comments on these documents.

The 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 proposed introduction of UK regulation in respect of internal controls on reporting and audit assurance policy.

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 four years. In light of the impact of rising living costs on the global economy and the devaluation of the Naira currency in Nigeria where the Group operates, 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 2023 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

26 September 2023

Environmental and Social Impact Committee Report

THE COMMITTEE MADE SIGNIFICANT PROGRESS IN STRENGTHENING THE COMPANY'S ENVIRONMENTAL AND SOCIAL IMPACT ACTIVITY.

Committee membership and attendance

Committee members	Member since	Attendance
Valeria Juarez[1]	2022	3/3
David Tyler*[2]	2022	2/2
Caroline Silver[3]	2022	3/3
Jonathan Myers	2022	3/3
Sarah Pollard*	2022	3/3
John Nicolson*	2022	3/3
Kirsty Bashforth	2022	3/3
Dariusz Kucz*	2022	3/3
Jeremy Townsend*	2022	3/3
Jitesh Sodha*	2022	3/3

1 Appointed as Chair of the Committee on 19 June 2023.
2 Appointed as Director on 24 November 2022.
3 Stepped down as Director on 23 March 2023.
* Directors stepped down from the Committee on 19 June 2023.

DEAR SHAREHOLDERS,

On behalf of the Board, and as Chair of the Environmental and Social Impact Committee (ES Committee), I am pleased to present the ES Committee Report for the year ended 31 May 2023. Caroline Silver was Chair of the Committee during the period under review and we thank Caroline for her leadership and guidance on this Committee until her departure from the Board in March of this year.

The ES Committee was first established as the ESG Committee in FY22 to oversee the Company's sustainability strategy and goals. As part of the Board evaluation in the year, the scope and purpose of the Committee was reviewed and revised. The ES Committee is now responsible for environmental and social impact matters and has been renamed accordingly. The Committee's Terms of Reference will be revised to reflect the change.

The ES Committee oversees the Company's sustainability strategy and goals. The Committee monitors performance against the ES goals and how PZ Cussons considers, engages with, reports to and maintains its reputation with key stakeholders.

Recognising the importance of ES across the whole Group and its governance, the Committee consisted of all members of the Board in FY23, and is supported by the ELT through its ES Forum which acts as a steering committee for the existing and future workstreams within the Company on important ES matters. For FY24, we have adjusted the composition of the ES committee to reflect the ES Committee's new remit and ways of working.

Committee role

- Regularly review the Group's ES strategy and performance targets
- Monitor progress by the Group against its ES strategy and goals
- Oversee how the Group engages with key stakeholders on ES
- Consider the climate-related risk and opportunities facing the Group.

Priorities for 2024

- Continuously review the Group's ES strategy and goals and monitor progress against each
- Ensure required processes and capabilities are in place to deliver the goals
- Consider, review and oversee the development and implementation of the Diversity, Equity and Inclusion strategy and goals
- Further optimise ES reporting.

In accordance with the Terms of Reference, the Committee met three times in the year. Only members of the Committee are entitled to attend the meetings. However, other Directors and other individuals may be invited to attend for all or parts of any meeting as and when appropriate. The Company Secretary acts as secretary to the Committee.

The Committee's existing Terms of Reference are compatible with the Corporate Governance Code 2018 (the 2018 Code) and are available on the Company's website at www.pzcussons.com.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Creation of the ELT ES Forum

The creation of this Forum was an important step for the Committee to secure the most comprehensive and accurate information and to ensure that discussions on ES matters were inclusive and relevant.

The creation of an executive governance forum provided a central 'below Board' decision-making body within the executive on ES matters and would provide materials to be reviewed by the Board ES Committee. This body would act as a steering committee for the existing and future workstreams within the Company on important ES matters and would make recommendations to the ES Committee on matters for the Board's consideration.

As part of the ongoing KPI dashboard project, an ES scorecard was developed, and this is monitored by the ELT ES Forum and presented to the Committee on an ongoing basis.

The ES Committee also received operational updates on strategic initiatives, such as virgin plastic reduction, which had already reduced by 7.8% from our baseline year of 2021, on our way to the targeted reduction of a third by 2030. The Company will continue to explore solutions which enhance product sustainability, reduce waste, and increase the use of recyclable materials.

Carbon-neutrality commitments

The Committee is pleased to see that the Company is on track to meeting its targets of being carbon neutral in operations with a 10% absolute reduction by 2025, a 42% reduction against 2021 by 2030, and net zero across Scopes 1, 2 and 3 by 2045. The Committee will continue to monitor and advise on projects which will best achieve these targets.

Forest Submission under the Carbon Disclosure Project (CDP)

The Committee oversaw the Company's first Forest Submission under CDP. The Company recognises that deforestation presents a business risk and by submitting a forest disclosure, the Company is better able to measure and manage forest-related risks and opportunities, transparently report on our progress in this area and commit to proactive measures to protect the environment. The Committee also received updates on progress against the Palm action plan which aims to achieve 100% of deforestation and exploitation free palm oil supply.

ES strategy

Throughout the year, the Committee monitored progress against the goals set out in the Group's ES strategy. The strategy provides operational focus and, alongside a set of clearly defined performance targets, supports the Company in achieving its goals.

More information about the ES strategy can be found on page 36

Valeria Juarez
ES Committee Chair

26 September 2023

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).

Committee membership and attendance

Committee members	Member since	Attendance
Kirsty Bashforth	2019	5/5
Jeremy Townsend[1]	2020	4/5
Jitesh Sodha	2021	4/5
Valeria Juarez	2021	5/5

1 Stepped down from the Committee on 19 June 2023.

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present our 2023 Remuneration Committee Report. This report is divided into three sections as set out below.

(1) This Remuneration Committee Chair Statement – providing a summary of key reward activity during the year.

(2) The proposed new Directors' Remuneration Policy (the Policy) – setting out proposals for the new Policy following a process of significant shareholder engagement and consultation. The Policy will be subject to a binding vote at our 2023 Annual General Meeting (AGM) on 23 November 2023.

(3) The Report on Directors' Remuneration – setting out how the current Directors' Remuneration Policy was applied throughout the 2023 financial year and how our new proposed Policy will be applied during FY24, which will be subject to an advisory vote at our 2023 AGM.

BUSINESS CONTEXT

FY23 was the second full financial year of our new strategy and we have continued to make good progress delivering solid financial results, while continuing to invest in our brands, building internal capabilities and delivering against our strategy.

While there remains more to do to maximise our full potential, against an ongoing volatile and uncertain external backdrop, with approximately £80 million of inflationary costs over the last three years, FY23 has seen a number of achievements:

- Third consecutive year of LFL revenue growth at 6.1%
- Growth in gross profit margin, funding investment in capabilities and offsetting underlying cost inflation
- Adjusted Profit Before Tax (PBT) growth of 12.6% despite cost inflation pressures, with 11.23p per share of earnings per share, down 10.7% reflecting a higher effective tax rate and non-controlling interest charge
- Strong cash generation with free cash flow of £69.9 million (FY22: £58.0 million), primarily driven by an improvement in working capital

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**

- Continued investment in building our brands:
  - Further strengthened Childs Farm with the launch of SlumberTime and acceleration of international expansion
  - Launched Morning Fresh, the market-leading hand dishwash brand in Australia, into the auto dishwash category
  - Original Source entered the Spanish market for the first time and we re-launched our Imperial Leather offering in Thailand.
- Successful delivery of the first stages of the supply chain transformation programme, including the outsourcing of fragrance supply to third parties, the near shoring of the procurement function from Singapore to Manchester and the planned closure of our Thai Soap Factory with corresponding outsourcing. These projects will be complete by the end of FY24
- Ongoing delivery against a number of sustainability targets, such as virgin plastics usage, which was reduced by 7.8% versus the baseline. More detail on our approach to sustainability is on pages 26 to 41.

There has also been continued focus on building and deepening the talent and skills needed to deliver the strategy within the ELT, with a number of new appointments during the year. The Committee has given careful consideration to remuneration for the ELT to ensure there is alignment between Board level and below.

REMUNERATION DECISIONS YEAR ENDED 31 MAY 2023

Variable remuneration earned during the year

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. Its decisions, and the context in which they were made, are summarised below:

Annual bonus payout

The FY23 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.

The 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 and agreed the following:

- 62.1% of the 80% of maximum opportunity of bonus assessed against financial performance was achieved. Full details of the targets and performance against them can be found on page 121.
- The Committee also assessed the performance against the key business objectives which focused on organisational effectiveness and strategic execution and determined that 18% of the available 20% was earned for both Executive Directors.
- As such 80.1% of the maximum bonus was earned by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), resulting in awards of 120.1% of salary for the CEO and 100.1% of salary for the CFO. The Committee reviewed these payouts in the context of underlying financial performance of the Company as well as the experience of our wider stakeholders and is comfortable that they are fair and appropriate therefore no discretion was applied. Full details of the performance assessment against both the financial and key business objectives can be found on page 120.

Vesting of FY21 Performance Share Plan (PSP)

PSP awards granted in the year ended 31 May 2021 (FY21) were based on three key performance indicators: 60% Earnings Per Share (EPS) growth, 20% revenue growth from Must Win Brands measured relative to growth in revenue from Portfolio Brands and 20% relating to sustainability targets. Both the EPS and revenue targets were not met. However, 100% of the element relating to sustainability vested. This results in 20% of the maximum award vesting, equivalent to 30% of salary for the CEO and 25% of salary for the CFO. Full details are provided on page 122.

Appointment of new Chair

David Tyler joined the Board as a Non-Executive Director on 24 November 2022 and took over as Chair of the Board following the expiry of the term of office of Caroline Silver on 23 March 2023. The Committee concluded that his fee on appointment as Chair would be £262,500. This increases to £286,125 with effect from 1 September 2023, in line with the increase for the other Non-Executive Directors as set out on page 120.

Remuneration Committee Report continued

REVIEW OF REMUNERATION POLICY

Our current Policy was approved at the AGM in November 2020 with high levels of support. At that time, we made a number of changes to align our Policy with good governance including aligning Executive Director pension rates to the wider workforce, applying deferral to the annual bonus, increasing shareholding guidelines, formalising post-employment shareholding guidelines and enhancing malus and clawback provisions.

During FY23, the Committee undertook a detailed review of the Policy based on the principles set out on page 110. The current Policy focused the Directors on the successful delivery of the initial phase of the strategy, incentivising interventions to reverse previous business underperformance. As the foundations for future growth are increasingly established and we move into the next phase of our strategy, the Committee has sought to ensure that the new Policy has a continued clear alignment between the approach to remuneration and the key areas of strategic focus; building brands, serving customers, reducing complexity, developing people and growing sustainably.

As part of the Policy review process, we consulted shareholders, representing over 60% of our share capital, and proxy agencies and received broad support for our proposed approach. The feedback provided, along with input from independent external advisers and also consideration of the size, scale and complexity of PZ Cussons, has ensured good governance and best practice when building Policy proposals. I would like to thank all those involved for the high level of engagement during our consultation exercise.

For the new Policy there are three key changes and updates from the previous policy that was approved at the 2021 AGM. More detail is provided on each below.

1. Long-Term Incentive Plan (LTIP) – move from a Performance Share Plan (PSP) to a Restricted Share Plan (RSP)

The Committee considered alternative long-term structures and believes the adoption of an RSP will more closely align the interests of our Executive Directors with shareholders:

- A key measure of our long-term success is sustainable share price growth and continued dividend payments. Introducing an RSP alongside the existing share ownership requirement will ensure that Executive Directors have, and retain, a meaningful shareholding in the business resulting in full alignment with wider shareholder interests
- The management team have been clear about how and where to prioritise investment – across Must Win Brands and priority markets. Given the complexities of trying to incentivise and assess these priorities using 'traditional' performance measures, we are of the view that a scheme focused on share price provides a more rounded assessment of management's delivery of our new strategy with a focus on the long-term
- We have operated an RSP for several years for senior leaders below Executive Director level, which has been very effective in attracting, incentivising and retaining key talent. We believe that taking a consistent approach for all our senior leaders will ensure that they are collectively focused on delivering sustained growth
- PZ Cussons has clearly stated its wider simplification agenda and the Committee believes that a simplified approach to long-term pay aligns to this. Using an RSP both removes the need to set and assess targets every year which can be a complex and challenging process, especially during a period of transformation, and makes communication easier, which supports retention and motivation.

We are aware that the current expectation is a 50% reduction in the maximum opportunity when moving from a PSP to an RSP. The Committee feel that it is important to maintain an equal balance of short and long-term reward (on an expected value basis) given the importance of long-term sustainability to the Company and to maintain an overall competitive package at target for the Executive Directors. As such and following a thorough debate, it is proposed that RSP awards will be set at a maximum of 90% and 75% of salary for the CEO and CFO respectively (from 150% and 125% of salary currently). This represents a 40% reduction from previous levels of award.

RSP awards, like the current PSP awards, will be made on an annual basis and will be subject to a three-year vesting period and two-year holding period in line with the 2018 UK Corporate Governance Code (the 2018 Code). The vesting of the RSP will be subject to performance underpins and the Committee will retain the ability to reduce the vesting (including to nil), subject to performance against these over the vesting period. Those applying to the RSP awards for FY24 are set out on page 124.

2. Annual bonus plan – increased deferral

The Committee is comfortable that our annual bonus construct remains fit for purpose and no changes are proposed to the maximum opportunities (150% of salary for the CEO and 125% of salary for the CFO).

To further align our Executive Directors with the experience of our shareholders, deferral of annual bonus into shares under the Deferred Bonus Share Plan (DBSP) will be increased to 40% of the total bonus earned and will be for a period of two years. This results in a greater proportion of the annual package being delivered in shares.

While not a change to Policy, for FY24 we are planning to re-weight the profit and revenue measures and maintain the weighting of the cash-based measure with further details provided below.

3. Non-Executive Director share ownership

To encourage all our leaders to think like owners, we are introducing an expectation that the Chair and Non-Executive Directors build up 100% of one year's net fee within four years of appointment. As per the changes above, this ensures a consistent focus on sustainable growth for all our shareholders. All other elements of Policy relating to Non-Executive Directors remain unchanged.

OUR APPROACH TO REMUNERATION FOR THE YEAR ENDING 31 MAY 2024

The key changes to the implementation of pay for FY24 include:

Base salaries

The base salary for the CEO has been increased by 4.4% to £640,000 with effect from 1 September 2023. This is below the average increase for the wider employee population in the UK.

The CFO was appointed on a salary materially lower than that paid to her predecessor, and we have previously disclosed our intention to review her base salary periodically considering her performance and increased experience in the role.

The Committee has reviewed the CFO's salary taking into account a number of reference points and is proposing to increase the CFO's salary by 8.1% to £400,000 effective from 1 September 2023. This increase, along with other aspects of her package, helps to position the CFO more competitively.

FY24 annual bonus

As set out above, we are planning to re-weight the profit measure to 50% from 40%, the revenue measure to 20% from 30% and maintain the weighting of the cash-based measure at 10%. We are also moving to Operating Profit from Profit Before Tax and Free Cash Flow from Net Working Capital. The use of Operating Profit reduces volatility and the potential for windfall gains while providing enhanced focus on aligning pay with profitability. Free Cash Flow is a more comprehensive measure of the Company's ability to generate cash, explicitly considering the cost of capital investment. More detail on the weightings and measures is provided on page 121.

The approach to key business objectives has also been updated for FY24 to further align them with our strategy and key priorities for FY24.

There are no changes to the threshold, target or maximum level of award.

FY24 RSP awards

Subject to the shareholder vote at the AGM on 23 November 2023, the CEO will be granted an RSP award of 90% of salary and the CFO an award of 75% of salary. For the FY24 RSP award, the following underpins will be applied:

- No material weakness in the underlying financial health or sustainability of the business
- Maintenance of appropriate governance frameworks, including acceptable controls and compliance performance and no events that result in significant reputational damage to the Company (as determined by the Board)
- To ensure ongoing focus on our critical ESG commitments, satisfactory performance against environmental and societal commitments.

The Committee retains the discretion to reduce vesting, potentially to nil, subject to performance against the underpins across the vesting period.

Non-Executive Director fees

The Non-Executive Directors did not receive a fee increase in FY23. During the year, fees were assessed against market practice and will be increased by £5,000 to £60,000 with effect from 1 September 2023. The additional fee for the Audit & Risk and Remuneration Committee Chairs will increase by £2,500 to £12,500 also with effect from 1 September 2023.

Further details on how we intend to implement the new Policy in FY24 and the changes from the previous Policy are set out in the 'At a glance summary' on page 108.

Wider employee experience

When considering the remuneration arrangements for the Executive Directors and other senior executives, the Committee continues to take account of remuneration across the Group. Updates on the wider employee experience are provided regularly to the Committee by the management team, particularly in light of the challenging macro-economic backdrop and cost-of-living crisis across all our markets. In March 2023, Dariusz Kucz, in his role as representative of the employee voice, and I, met again with the HR Leadership Team to discuss the Group remuneration strategy and context.

Once again, this was a wide-ranging discussion that gave the Committee good insights into our colleagues' views on remuneration.

The key remuneration activities for the wider employee population for FY23 considered by the Committee when making its decisions are set out below:

- Employee salary levels continue to be reviewed annually against a range of relevant factors which include market data, economic forecasts and Group financial budgets. The salary increase budget for FY24 for UK-based employees was 5.0%, with individual awards based on performance. Many of our other markets were above this, for example Nigeria at 12% for our management population and 15% for others and Indonesia at 6% for the management population and 7% for others. This reflects local economic factors and our need to have competitive reward packages in place to attract the talent needed to deliver our ambitious strategy
- For FY23 all bonuses for eligible employees included an element of Group performance for the first time. This gave the potential for employees to be rewarded for their contribution to the overall success of the PZ Cussons Group as well as their own Business Unit. Our leaders also have an element relating to their personal contribution
- We continue to reward critical talent and support retention by granting share awards in the form of RSPs to other senior leaders and managers. We believe that the use of RSPs enables the Company to compete internationally for the best executive talent and provides a powerful tool to help retain and motivate key members of our current and future leadership teams. These awards are well received by participants
- The Share Incentive Plan (SIP) launched in 2021, created further alignment between employees and investors. Under HMRC rules, only UK employees can participate. A range of market-aligned incentives are applied in other countries to provide shareholder alignment
- We offer a market aligned benefit package that supports our BEST values
- In addition to the normal pay review and incentive processes, a range of interventions were put in place to support our employees during the cost-of-living crisis. These range from one-off payments in Africa, to financial advice and some support with utility bills in Asia and help understanding financial decisions in the UK. The business continues to keep this under review.

Concluding remarks

Our approach to the new Policy has sought to ensure that there is a continued clear alignment between remuneration and the key areas of strategic focus and our shareholder and wider stakeholder experience. I would like to thank shareholders for all their feedback during the year and welcome any further views on any of the matters set out in this report. I look forward to gaining your support at the upcoming AGM.

Kirsty Bashforth

Chair of the Remuneration Committee

26 September 2023

Remuneration Committee Report continued

AT A GLANCE SUMMARY: CHANGES TO DIRECTORS' REMUNERATION AND HOW THEY WILL BE IMPLEMENTED IN FY24

The Committee is responsible for determining, and agreeing with the Board, the Directors' Remuneration Policy and has oversight of its implementation, in line with its clear Terms of Reference. During the year, the Committee undertook a detailed review of the Directors' Remuneration Policy, working with management and independent advisers to develop proposals and recommendations. No Executive Director was present when their own remuneration was discussed.

The Committee considered market data from UK-listed companies of a similar size and complexity and received information from the Chief People 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. 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 following table sets out a summary of the changes to the Directors' Remuneration Policy and how they will be implemented in FY24, subject to the shareholder vote at the AGM. Full detail is provided on pages 110 to 118.

Key policy features	Approach for FY23	Proposed approach for FY24 and key changes
Salary		
Base salaries are normally reviewed annually taking into account a number of factors including size of role, performance and experience of the individual and pay increases across the wider workforce.	Salaries from 1 September 2022: • CEO: £612,979 • CFO: £370,000	Salaries from 1 September 2023: • CEO: £640,000 (4.4% increase). • CFO: £400,000 (8.1% increase). As previously disclosed, we have periodically reviewed the CFO's salary based on increased experience and performance in the role. This increase, along with other aspects of her package, helps to position the CFO more competitively.
Pension/benefits/all-employee share schemes		
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.	CEO and CFO: 10% of salary in line with UK employee population.	There are no changes for FY24.
Annual bonus		
Incentive scheme which focuses Directors on delivery of annual goals and milestones which are consistent with the Group's longer-term strategic aims.	**Opportunity:** Policy maximum of 150% of salary. Maximum bonus for FY23: • CEO: 150% of salary • CFO: 125% of salary. **Performance metrics:** • 40%: Adjusted profit before tax • 30%: Revenue growth • 10%: Net working capital percentage • 20%: Key business objectives. 25% of any bonus earned deferred into shares for three years.	**Opportunity:** There are no changes to the Policy maximum of 150% of salary or to the maximum bonuses for the CEO (150% of salary) or the CFO (125% of salary) **Performance metrics:** For FY24 we are planning to re-weight the profit and revenue measures and maintain the weighting of the cash-based measure. We are also moving to Operating Profit from Profit Before Tax and Free Cash Flow from Net Working Capital. • 50%: Operating Profit • 20%: Revenue growth • 10%: Free Cash Flow • 20%: Key business objectives. 40% of the total bonus will be deferred for a period of two years. This results in a greater proportion of the annual package being delivered in shares thereby aligning our Executives with the experience of our shareholders.

Key policy features	Approach for FY23	Proposed approach for FY24 and key changes
Long-term incentive plan (LTIP)		
LTIP which focuses on generating sustained shareholder value over the longer-term and aligning the Directors' interests with those of the Company's shareholders.	Performance Share Plan (PSP) with vesting based on the achievement of performance targets. **Opportunity:** • Policy maximum of 150% of salary • Maximum LTIP award for FY23: – CEO: 150% of salary – CFO: 125% of salary. **Performance metrics:** Performance measures based on financial, strategic or share price-based metrics measured over three years. • Adjusted basic EPS: 60% • Revenue growth from Must Win Brands: 20% • Sustainability: 20%.	PSP replaced with a Restricted Share Plan (RSP) with lower award levels and subject to underpins. **Opportunity:** • Policy maximum of 90% of salary • Maximum LTIP award for FY24: – CEO: 90% of salary – CFO: 75% of salary. **Underpins** The vesting of the RSP will be subject to the underpins set out below. The Committee retains the ability to reduce vesting (including to nil) subject to the underpins measured over the vesting period. The underpins are: • No material weakness in the underlying financial health or sustainability of the business • Maintenance of appropriate governance frameworks, including acceptable controls and compliance performance and no events that result in significant reputational damage to the Company (as determined by the Board) • To ensure ongoing focus on our critical ESG commitments, satisfactory performance against environmental and societal commitments. A holding period applies for two years following vesting (i.e. five years from grant). Recovery and withholding provisions apply.
Shareholding guidelines		
Alignment of the Executive and Non-Executive Directors' interests with those of the Group's shareholders.	Requirement for Executive Directors 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 current PSP and RSP awards until they satisfy the shareholding guideline.	No change for Executive Directors. Introduction of an expectation that the Chair and Non-Executive Directors build up interests in the Company's shares worth 100% of their net base fee within four years of appointment.

Remuneration Policy

Directors' Remuneration Policy

This part of the report sets out the Directors' Remuneration Policy and 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 (the 2018 Code) and the requirements of the UKLA Listing Rules.

The Directors' Remuneration Policy as set out in this report will be put to shareholders for approval at the FY23 AGM to be held on 23 November 2023. It is the Committee's intention that the new Directors' Remuneration Policy will be effective following approval from shareholders through a binding vote at the FY23 AGM.

The Committee considered the principles listed in the 2018 Code when designing the Directors' Remuneration Policy and took these into account in its design and implementation:

Clarity, simplicity and balance: Remuneration arrangements have defined parameters which are transparently communicated to shareholders and other stakeholders, including maximum incentive quantum and incentive plan pay-out schedules. With the proposed introduction of the RSP, we have sought to simplify our remuneration arrangements further, while maintaining focus and balance between short and long-term performance.

Linked to the strategy and performance of the business: Our remuneration frameworks incentivise both short-term objectives through the annual bonus plan and our long-term transformation objectives and shareholder value creation through our RSP.

Directors' Remuneration Policy table

The components of Executive Directors' remuneration are described below:

Element	Purpose and link to strategy	Operation
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.
Benefits	Recruitment and retention of senior executive talent through the provision of a competitively positioned and cost-effective benefits package.	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.
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.

Shareholder value and alignment: Remuneration should support and align with our shareholders long-term interests by linking the annual bonus to our key strategic measures and having the right underpins in place for the RSP. Our increased bonus deferral, alongside our RSP, delivers a significant proportion of remuneration in shares, some of which have to be retained in line with our shareholding guidelines. We are also introducing a shareholding guideline for our Non-Executive Directors to ensure a consistent focus on sustainable growth of shareholder value.

Alignment to culture, purpose and the wider workforce: Our purpose – For everyone, for life, for good – supports the approach of cascading down the Directors' remuneration arrangements 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.

Risk, proportionality and governance: Our incentive plans are designed to have a robust link between pay and performance, by using Group key performance indicators through the annual bonus and RSP underpins. The Committee is able to exercise discretion 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. Provisions are also in place to allow for the application of clawback and/or malus in specific circumstances.

Predictability: The Committee seeks to maintain a consistent approach to its annual duties including setting targets and underpins, reviewing incentive outturns and salary review. Consistency of process helps to ensure consistency of outcomes.

Maximum opportunity	Performance measures
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. Full disclosure would be included in the relevant Remuneration Report. 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.
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.
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 (or cash payment in lieu).	Not applicable.

Remuneration Policy continued

Element	Purpose and link to strategy	Operation
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. Typically, a minimum of 40% of the bonus earned will be deferred into shares. The deferral period will usually be two 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.
Restricted Share Plan (RSP)	Designed to simplify long-term incentives and align reward for the Executive Directors with the delivery of shareholder value creation through sustainable share price growth and continued dividend payments by delivery of the business strategy.	Annual awards of rights over shares calculated as a percentage of base salary. Awards normally vest three years from the date of grant subject to review by the Committee of performance against pre-determined underpin/s. If any of the underpin criteria are not met, the Committee will consider whether to reduce vesting (including to nil). After vesting, shares are usually subject to an additional two-year holding period. In addition to the underpin/s, the Committee retains general discretion to adjust the vesting levels to ensure they appropriately reflect the underlying performance of the Group or individual. Dividend equivalents accrue on shares subject to RSP awards and are paid on vesting in respect of those shares that vest. Award levels and underpins are reviewed before each award cycle to ensure that they remain appropriate. Recovery and withholding provisions apply to awards granted under the RSP.
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 required to retain a minimum of half the after-tax number of vested shares from current PSP and RSP awards until they satisfy the shareholding guideline.
Post-employment share ownership requirements	Ensures there is an appropriate amount of 'tail risk' for Executive Directors post cessation of employment.	Executives will be required 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.

Maximum opportunity	Performance measures
The maximum annual bonus opportunity that may be earned for any year is 150% of base salary. The maximum opportunity for current Executive Directors are: • 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.
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 90% of base salary. The current maximum opportunity for Executive Director roles is: • Chief Executive: 90% of salary • Other Executive Directors: 75% of salary.	Performance underpins may be based around key financial, governance and strategic measures. They will be set taking into account the business strategy and may vary from year to year if the Committee deems it appropriate. Full disclosure of the underpins will be provided in the relevant Remuneration Report.
Not applicable.	Not applicable.
Not applicable.	Not applicable.

Remuneration Policy continued

Legacy awards

The Committee retains the ability to make any remuneration payments or payments for loss of office notwithstanding that they are not in line with the Policy set out above where:

- The terms of payment were agreed before the Policy came into effect, as long as they were in line with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed
- The terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and the payment was not in anticipation of the individual becoming a Director of the Company, in the Committee's opinion.

Minor amendments

The Committee retains the ability to make minor amendments to the Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without seeking shareholder approval.

Discretion

The Committee will operate the annual bonus and awards under the LTIP in accordance with the plan rules, shareholder approved Policy and Listing Rules where applicable.

As per typical market practice, the Committee retains discretion in a number of areas including (but not limited to) the participants, timing, vehicle and size of the award. The Committee may amend or substitute any performance conditions or underpins if they are of the view that the original conditions are no longer appropriate and the new conditions are not materially less difficult to satisfy. In exceptional circumstances, the Committee has the discretion to change the vesting level to ensure that the outcomes are fair, appropriate and reflective of the underlying financial performance of the Group.

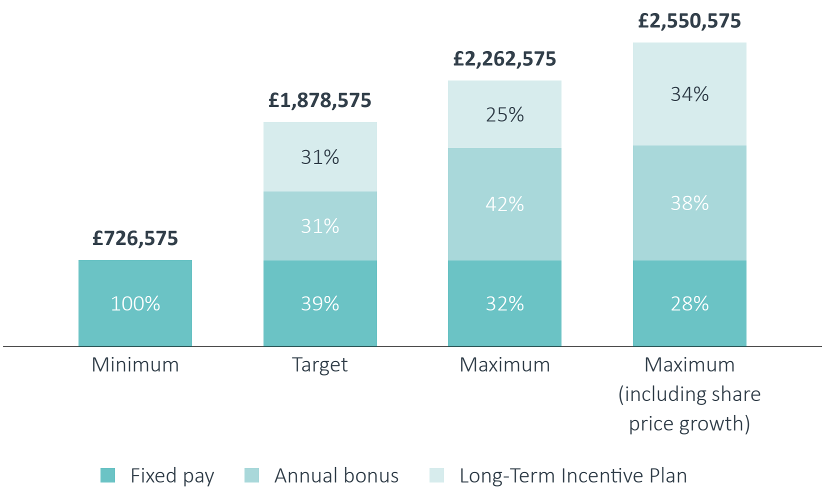
Non-Executive Directors Remuneration Policy table

The components of Non-Executive Directors' remuneration are described below:

Element	Purpose and link to strategy	Operation
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 may be 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 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.
Other aspects		
Shareholding guidelines	Alignment of the Non-Executive Directors' interests with those of the Group's shareholders.	Expectation that Non-Executive Directors build up interests in the Company's shares worth 100% of their base fee, net of statutory deductions, within four years of appointment.

Performance scenarios

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.



Jonathan Myers

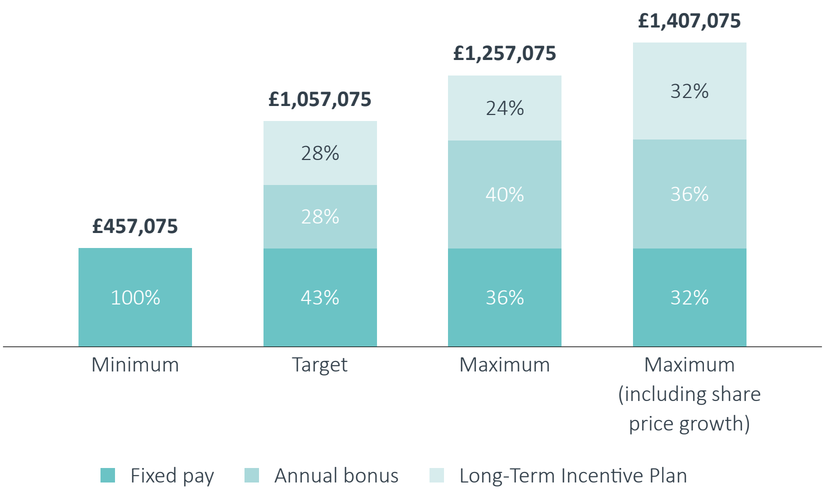
An award may be subject to adjustments in the event of a variation of the Company's share capital, demerger, delisting, special dividend or other corporate event that materially impacts the value of awards.

Recovery and withholding provisions

The Committee may, in its discretion, subject to applicable laws, apply malus and/or clawback to annual bonus, PSP and RSP awards at any time within three years of grant or payment as applicable, in circumstances of a material 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.

Maximum opportunity	Performance measures
Fees are based on the level of fees paid to Non-Executive Directors serving on boards of other relevant 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.
Not applicable.	Not applicable.



Sarah Pollard

Remuneration Policy continued

Fixed elements of remuneration			
Base salary as at 1 September 2023 (£640,000 for Jonathan Myers and £400,000 for Sarah Pollard), an estimate of the value of benefits and pension contributions at 10% of base salary.			

Minimum performance	Target performance	Maximum performance	Maximum performance including share price growth
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 Plan – RSP			
0%	**100% of award** Jonathan Myers – 90% of salary Sarah Pollard – 75% of salary	**100% award** Jonathan Myers – 90% of salary Sarah Pollard – 75% of salary	**100% of award with a 50% increase in share price over the vesting period** Jonathan Myers – 90% of salary Sarah Pollard – 75% 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. Our approach to remuneration on recruitment is consistent with our overall philosophy of offering a package sufficient to attract talent of the calibre needed while aiming to pay no more than is necessary.

New appointments may have their salaries set at a lower level while they become established in their role with higher than typical increases made on a phased basis subject to the individual's performance and contribution to the Group.

To facilitate the hiring of candidates, 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 LTIP. The Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and/or underpins as appropriate.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

If an Executive Director is promoted internally, existing awards and ongoing prior remuneration obligations will usually continue to run and they will typically continue to participate in plans or benefits that were in place prior to their appointment to the Board.

On recruitment of a Non-Executive Director, the Policy elements set out in the table above will apply.

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 pre-determined 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.

Long-Term Incentive Plans

Cessation of directorship/employment before the vesting date:

Death	The award will normally vest as soon as practicable following death and will not typically be subject to a holding period.
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 award will normally vest on the original vesting date. The Committee will have sole discretion as to the extent to which the award will vest, taking into account the extent to which the performance conditions and performance underpins have been met for the PSP and RSP respectively. 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 or underpins have been met up to that date. Awards will be subject to any applicable holding period unless the Committee determines otherwise. The Committee will reduce the award to reflect the period that has elapsed at the time of cessation unless the Committee determines otherwise.
Any other reason	The award will lapse upon cessation of directorship/employment.

Cessation of directorship/employment during the holding period
(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 unless the Committee determines otherwise.
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. The bonus will be paid at the usual time unless in exceptional circumstances when the Committee may determine to accelerate the payment.	
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

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.

Remuneration Policy continued

Change in control

The rules of the Long-Term Incentive Plan 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 or underpins 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 Committee is provided with information at each meeting setting out management approach to pay around the Group. During the last year this has been predominantly focused on management's activities to support employees during the cost-of-living crisis but has also covered the Group-wide pay review budget which is one of the key factors considered by the Committee 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, their representative bodies and other interested parties such as proxy agencies when formulating and implementing the Policy.

During 2023, the Committee consulted major shareholders in respect of the new Policy, representing over 60% of our share capital. The Committee fully considered all feedback and comments received before finalising the terms of 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 AGM 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
David Tyler (Chair[1])	23 November 2025
Caroline Silver (Chair[2])	31 March 2023
Kirsty Bashforth	31 October 2025
Dariusz Kucz[3]	30 April 2024
John Nicolson	30 April 2025
Jitesh Sodha	30 June 2024
Jeremy Townsend	31 March 2026
Valeria Juarez	22 September 2024

1 Chair from 23 March 2023.
2 Chair until 23 March 2023 when she retired from the Board.
3 Stepped down from the Board 14 September 2023.

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 AGM.

Report on the Directors' Remuneration

This Report on Directors' Remuneration, sets out how the current Policy was applied throughout FY23 and how our new proposed Directors' Remuneration Policy will be applied during FY24. The Report on Directors' Remuneration is subject to an advisory vote at our 2023 AGM.

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 2023:

Executive Directors

		Jonathan Myers	Sarah Pollard
Salary/fees[1]	2023	607,797	361,188
	2022	587,938	332,313
Benefits[2]	2023	22,575	17,075
	2022	22,520	17,020
Pension[3]	2023	62,073	36,850
	2022	57,500	32,499
Total fixed	**2023**	**692,445**	**415,113**
	2022	667,958	381,832
Bonus[4]	2023	736,331	370,382
	2022	483,276	227,630
PSP[5]	2023	142,763	27,020
	2022		
Other	2023		
	2022		
Total variable	**2023**	**879,094**	**397,402**
	2022	483,276	227,630
Total	**2023**	**1,571,539**	**812,515**
	2022	1,151,234	609,462

Non-Executive Directors

		David Tyler[6]	Caroline Silver[7]	Kirsty Bashforth	Dariusz Kucz	John Nicolson	Jeremy Townsend	Jitesh Sodha[8]	Valeria Juarez[9]
Salary/fees[1]	2023	£25,048	£244,231	£65,000	£60,000	£65,000	£65,000	£55,000	£55,000
	2022		£250,000	£65,416	£60,416	£65,416	£65,416	£50,416	£38,076
Benefits[2]	2023								
	2022								
Other	2023								
	2022								
Total	**2023**	**£25,048**	**£244,231**	**£65,000**	**£60,000**	**£65,000**	**£65,000**	**£55,000**	**£55,000**
	2022		£250,000	£65,416	£60,416	£65,416	£65,416	£50,416	£38,076

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 Jonathan Myers and Sarah Pollard receive salary supplements of 10% of salary in lieu of pension contributions.

4 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 120 to 121.

5 The 2020 PSP was valued based on a 3-month average share price on 31 May 2023 of £1.904. The share price at date of award was £2.285 and £2.480 for the CEO and CFO respectively. Of the vested amounts for the Executive Directors, nothing was attributable to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to the vesting of the awards or share price changes.

6 David Tyler was appointed to the Board on 24 November 2022 and as Chair on 23 March 2023.

7 Caroline Silver retired from the Board on 23 March 2023.

8 Jitesh Sodha was appointed to the Board on 1 July 2021.

9 Valeria Juarez was appointed to the Board on 22 September 2021.

Amounts are rounded to the nearest Pound Sterling.

Report on the Directors' Remuneration continued

Base salary (audited)

Base salaries for individual Executive Directors are reviewed by the 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.

The table below sets out details of the changes to base pay for the Executive Directors.

	Jonathan Myers CEO	Sarah Pollard CFO
Salary with effect from 1 September 2023	£640,000	£400,000
Salary with effect from 1 September 2022	£612,979	£370,000

Jonathan Myers' base salary has been increased by 4.4% with effect from 1 September 2023. This is below the average level awarded to the wider employee population in the UK.

Sarah Pollard, CFO, was appointed on a salary materially lower than that paid to her predecessor, and we have previously disclosed our intention to review her base salary periodically taking into account her performance and increased experience in the role. The Committee has reviewed the CFO's salary during the year, taking into account a number of reference points, and is proposing to increase her salary by 8.1% to £400,000 effective from 1 September 2023. This increase, along with other aspects of her package, positions the CFO more competitively.

Non-Executive Director fees (audited)

As reported last year, there were no increases to fees for Non-Executive Directors for FY23.

The following fees will be applicable from 1 September 2023:

	From 1 September 2023	From 1 September 2022	Increase
Basic fees			
Chair[1]	**£286,125**	£262,500	9%
Non-Executive Director	**£60,000**	£55,000	9%
Additional fees			
Senior Independent Director	**£10,000**	£10,000	0%
Chair of Audit & Risk or Remuneration Committee	**£12,500**	£10,000	25%
Chair of any other Committee	**£5,000**	£5,000	0%
Director responsible for employee engagement[2]	**£5,000**	£5,000	0%

1 The Chair of the Board does not receive additional fees for chairing other Board Committees.

2 The Chair of the Remuneration Committee will also act as the Director responsible for Employee Engagement from 14 September 2023.

Annual bonus for the year ended 31 May 2023 (audited)

In respect of the year ended 31 May 2023, the CEO, Jonathan Myers, and the CFO, Sarah Pollard, both participated in the annual bonus scheme.

Under this scheme, the CEO was eligible to earn a cash bonus of up to 150% of base salary and the CFO 125% of base salary, 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 FY23 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 in the following table.

FY23 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*	% of total bonus payable
Adjusted profit before tax	40%	£64.5m	£69.0m	£72.5m	£71.1m	33.6%
Revenue growth	30%	£578.3m	£606.4m	£634.7m	£621.4m	24.4%
Net working capital percentage	10%	11.0%	10.0%	9.5%	10.4%	4.1%
Total						62.1%

* 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 2023 strategic objectives related to organisational effectiveness and strategic execution. The table below sets out the key milestones achieved against each objective.

Metric	Milestones achieved
Organisational effectiveness	• Successful delivery of key milestones in projects to improve the Company's controls and compliance and reduce costs. For example: – Simplification in Nigeria with route to market improvements, including the consolidation of suppliers and distribution centres, simplification of the portfolio with the sale of residential properties and the start of improvement in the efficiency of usage of the SAP system – In the UK, our marketing agencies have been consolidated from over 70 to fewer than 20 As part of the successful relaunch of Imperial Leather, the number of Stok Keeping Units (SKUs) has been significantly reduced, improving supply chain efficiency and profitability – Major supply chain transformation, reducing complexity across the Group. • Significant progress has been made on the organisational structure including a focus on developing and promoting internal talent. Four internal leaders were promoted and joined the Executive Leadership Team, further strengthening the talent and capability needed to deliver the ambitious change agenda • Delivery of critical elements of the People Agenda including strengthening of the talent pipeline with the launch of our first Graduate Programme in FY23 and the launch of performance management tools to better support effective management of our talent, including identifying over/under performers and implementing clear action plans where needed.
Strategic execution	• Achievement of key milestones in the supply chain transformation including near-shoring the procurement function from Singapore, outsourcing production of our Thai Soap Factory and outsourcing fragrance supply • Ongoing simplification of our Nigerian operations, including a halving of SKU count and reduction of tail brands by a third, and the successful roll-out of an improved ERP infrastructure • Expansion of our brands into new markets and category adjacencies, including the launch of Morning Fresh into the Australian auto dishwash segment and the launch of Original Source in Spain.

The Committee reviewed the performance of the Executive Directors against the objectives set out above, while also taking into account the experience of the Company's wider stakeholders, and determined a bonus payout of 18% out of a maximum of 20% against the strategic targets.

Overall, 80.1% of the maximum bonus was earned by the CEO and CFO. 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 FY23.

25% of the FY23 annual bonus, totaling £184,083 for the CEO and £92,596 for the CFO will be deferred into shares for three years.

Annual bonus for the year ending 31 May 2024

Executive Directors will continue to be eligible to participate in the annual bonus scheme in respect of the year ending 31 May 2024 under the Policy. The annual bonus opportunity for the CEO and CFO 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 FY23, the specific annual bonus metrics reflect current strategic priorities. For FY24 we are planning to re-weight the profit measure (from 40% to 50% of the financial element of the bonus) and the revenue measure (from 30% to 20%). We are also moving to Operating Profit from Profit Before Tax and Free Cash Flow from Net Working Capital. The use of Operating Profit reduces volatility and the potential for windfall gains while providing enhanced focus on aligning pay with profitability.

Report on the Directors' Remuneration continued

Free Cash Flow is a more comprehensive measure of the Company's ability to generate cash, explicitly considering the cost of capital investment. The revenue growth metric, which drives organic growth will be maintained at 10%. The remaining portion of the bonus (20%) will be based on key business objectives relating to delivery of the strategy and key business priorities for FY24.

Targets for the FY24 bonus have been set by the Committee to be appropriately demanding and also reflective of current commercial circumstances, internal planning and market expectations. The Directors consider that the Group's future targets are commercially sensitive and could provide our competitors with insights into our business plans and expectations. As such, they should therefore remain confidential to the Company at this time (although they will be retrospectively disclosed in next year's Directors' Remuneration Report).

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.

To reflect the new Policy, a minimum of 40% of the FY24 bonus earned will be deferred into shares. The deferral period will typically be two years (unless the Committee determines otherwise).

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

The following sets out details of:

- Vesting of PSP awards granted in the year ended 31 May 2021
- PSP awards granted in the year ended 31 May 2023
- RSP awards to be granted in the year ended 31 May 2024.

Executive Directors and certain senior executives were eligible to participate in the PSP, which provided 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. It's proposed that going forward, subject to shareholder approval of the Policy at the AGM, the Executive Directors, and other senior managers, will be granted awards under the RSP. More details are provided below.

Deferred bonus awards granted in the year ended 31 May 2023 (audited)

As disclosed in last year's Report on Directors' Remuneration, and in line with the Company's current Remuneration Policy, 25% of the annual bonus earned for the year ended 31 May 2022 was deferred into shares for both Jonathan Myers and Sarah Pollard as set out below. Awards ordinarily vest on the third anniversary of grant, conditional only on continued employment.

Deferred Bonus Share Plan (DBSP)

	Scheme	Basis of award	Number of shares[1]	Face value	Vesting/ Transfer date
Jonathan Myers	DBSP 2021	25% of annual bonus	60,653	£120,821	23-Sept-25
Sarah Pollard	DBSP 2021	25% of annual bonus	28,569	£56,909	23-Sept-25

1 Jonathan Myers and Sarah Pollard were granted the above awards on 23 September 2022 calculated using the average mid-market closing share price on 22 September 2022 of £1.992. The share price used to determine the number of shares subject to the award was in accordance with the rules of the {LTIP 2020}.

Vesting of PSP awards granted in the year ended 31 May 2021 (audited)

PSP awards were made to the CEO and CFO in the year to 31 May 2021 and are due to vest on 27 November 2023 and 1 February 2024 respectively and are based on performance over the period from 1 June 2021 to 31 May 2023. The award for the CFO was pro-rated for the period from appointment.

The table below sets out the targets and performance achieved:

	Weighting	Threshold (25% payout)	Maximum (100% payout)	Actual performance	% payable
EPS growth	60%	1% p.a.	5% p.a.	(1.0)%	0%
Revenue Growth from Must Win Brands	20%	2%	3%	(6.1)%	0%
Completion of B Impact Assessment	20%	See below	See below	See below	20%
Total					20%

The sustainability targets for the 2021 LTIP awards are set out in the table below:

Sustainability target	Extent of vesting
Completion of B Impact Assessment and agreement with the Board on an associated long-term sustainability goal.	25%
Completion of B Impact Assessment, agreement on an associated long term sustainability goal, year-by-year milestone targets with an agreed implementation plan and evidence of early progress against the agreed action plan.	100%

2021 was the first year that a sustainability measure was included in the LTIP. Targets were therefore set that focused on our sustainability strategy and ambitions at that point. As will be clear from relevant Remuneration Reports, targets for future awards have evolved based on the progress that has been made to ensure they remain suitably stretching, year-on-year.

The management team have made very strong progress against the targets set in 2021, as detailed in the table below. The overall vesting level for 2021 awards has been discussed in detail at both the ES and Remuneration Committees with both Committees in full agreement on the vesting level. The following table sets out the detailed performance against the target.

Completion of B Impact Assessment	An externally validated, robust and objective B Corp baseline score, that included consideration across a number of areas including governance, workers, community, environment and customers, was set for the business units.
Agreement on associated long-term sustainability goals	Based on the baseline scores, long-term goals for all business units and functions were set to assist and support certification of all business units by 2026.
Year-by-year milestone targets with an agreed implementation plan	A series of actions and improvement plans have been defined for each business unit, based on the long-term goals and baseline assessment. The improvement plans for UK PC, Beauty, Asia and ANZ have been agreed; work on equivalent plans for Africa is continuing to the agreed timeline.
Evidence of early progress against the agreed action plan	There have been a number of actions that demonstrate progress against the action plans including the adoption of green building standards, a review of employee benefits and approaches to carbon footprint assessments. The actions taken to date have already improved our business impact assessment scores.

Neither the EPS or Revenue growth measures achieved the threshold level of performance and as such the elements of the award relating to those measures lapsed. The Committee determined that 20% of the element relating to sustainability had vested. This results in 20% of the maximum award vesting, equivalent to 30% of salary for the CEO and 25% of salary for the CFO. The Committee has reviewed this level of vesting in the context of wider business performance and stakeholder experience and is comfortable that vesting is justified at this level with no need to apply discretion.

PSP Awards granted in the year ended 31 May 2023 (audited)

As disclosed in last year's Report on Directors' Remuneration, and in line with the Company's current Remuneration Policy, during the year ended 31 May 2023, awards under the PSP were made to Jonathan Myers and Sarah Pollard over shares with a value equal to 150% of base salary and 125% of base salary respectively as set out below:

Performance Share Plan

	Scheme	Basis of award	Number of shares[1]	Face value	Percentage vesting for threshold performance	Performance period end date
Jonathan Myers	LTIP 2020	150% of salary	461,580	£919,467	25%	23-Sept-25
Sarah Pollard	LTIP 2020	125% of salary	232,178	£462,498	25%	23-Sept-25

1 Jonathan Myers and Sarah Pollard were granted the above awards under the LTIP on 23 September 2022 calculated using the average mid-market closing share price on 22 September 2022 of £1.992. The share price used to determine the number of shares subject to the award was in accordance with the rules of the LTIP 2020.

As for FY22, the performance metrics were aligned with the business' mid- to long-term priorities, with unchanged weightings at 60% for the EPS growth metric and 20% each for the strategic revenue metric and sustainability metrics. The sustainability measures were revised and are 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). The following tables provide further details.

Report on the Directors' Remuneration continued

EPS and strategic revenue targets

Measure	EPS growth	Strategic revenue target
Weighting	60% 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
Threshold target (25% vesting)	3% per annum	3%
Maximum target (100% vesting)	7% per annum	9%

Pro-rata vesting between threshold and maximum targets.

Sustainability targets

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.

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.

RSP awards to be granted in the year ended 31 May 2024

As already set out and subject to shareholder approval of the Policy at the AGM, going forward, the Executive Directors will be granted awards under the RSP at a lower value and with underpins, rather than PSP awards. The maximum award will be 90% of base pay for the CEO and 75% of base pay for the CFO. The award vesting date for Executive Directors will be aligned with that of the rest of the Company's LTIP awards, expected to be September 2026. Post vesting, awards will be subject to a further two-year holding period. No share plan rules are being tabled for approval at the AGM as awards can be made under the existing LTIP Plan rules that were approved most recently in 2021.

The vesting of the RSP will be subject to three underpins detailed below over the three financial years to May 2026. The Committee will also retain the ability to reduce vesting (including to nil) subject to performance against the underpins measured over the vesting period:

- No material weakness in the underlying financial health or sustainability of the business
- Maintenance of appropriate governance frameworks, including acceptable controls and compliance performance and no events that result in significant reputational damage to the Company (as determined by the Board)
- To ensure ongoing focus on our critical ESG commitments, satisfactory performance against environmental and societal commitments.

The Committee will retain discretion to ensure that overall vesting levels are aligned to the underlying financial performance on both a Group and individual basis. Recovery and withholding provisions as set out in the Policy will also apply to these awards.

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
- 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
- As set out in the Remuneration Policy, to defer 40% of any bonus earned into shares for two years
- After ceasing to be a Director, 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.

Interests in shares (audited)

The interests in the Company's shares of each of the Executive Directors as at 31 May 2023 (together with interests held by any connected persons) were:

	Ordinary shares held at 31 May 2023	Interests in share incentive schemes that are not subject to performance conditions as at 31 May 2023	Interests in share incentive schemes that are subject to performance conditions as at 31 May 2023[1]	Value of shares held at 31 May 2023 as a % of base salary
J Myers	**101,175**	**86,539**	**1,301,432**	**56.35%**
S Pollard	**29,485**	**27,378**	**493,349**	**28.28%**

1 Includes unvested awards under the Performance Share Plan that remain subject to performance.

While the Executive Directors 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.

Jonathan Myers purchased 61,050 shares on 28 June 2023 that are not included above. There have been no other changes in the Executive Directors' interests between 31 May 2022 and the date of this report.

The Non-Executive Directors' shareholdings are disclosed 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 2022	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2023	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	–	–	–	403,806	2.265	–	–	23-Sep-24
S Pollard	23-Sep-2021	190,198	–	–	–	190,198	2.265	–	–	23-Sep-24
J Myers	26-Nov-2021	61,046	–	–	–	61,046	1.958	–	–	27-Nov-23
J Myers	23-Sep-2022	–	461,580	–	–	461,580	1.992	–	–	23-Sep-25
S Pollard	23-Sep-2022	–	232,178	–	–	232,178	1.992	–	–	23-Sep-25

1 Subject to performance conditions. Shares vesting under the award are subject to a two-year post-vesting holding period.

Report on the Directors' Remuneration continued

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 2022	Granted/ allocated in year	Exercised/ vested in year	Lapsed in year	Number of options/ awards at 31 May 2023	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
J Myers	23-Sep-2022	–	60,653	–	–	60,653	1.992	–	–	23-Sep-25
S Pollard	23-Sep-2022	–	28,569	–	–	28,569	1.992	–	–	23-Sep-25

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 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)

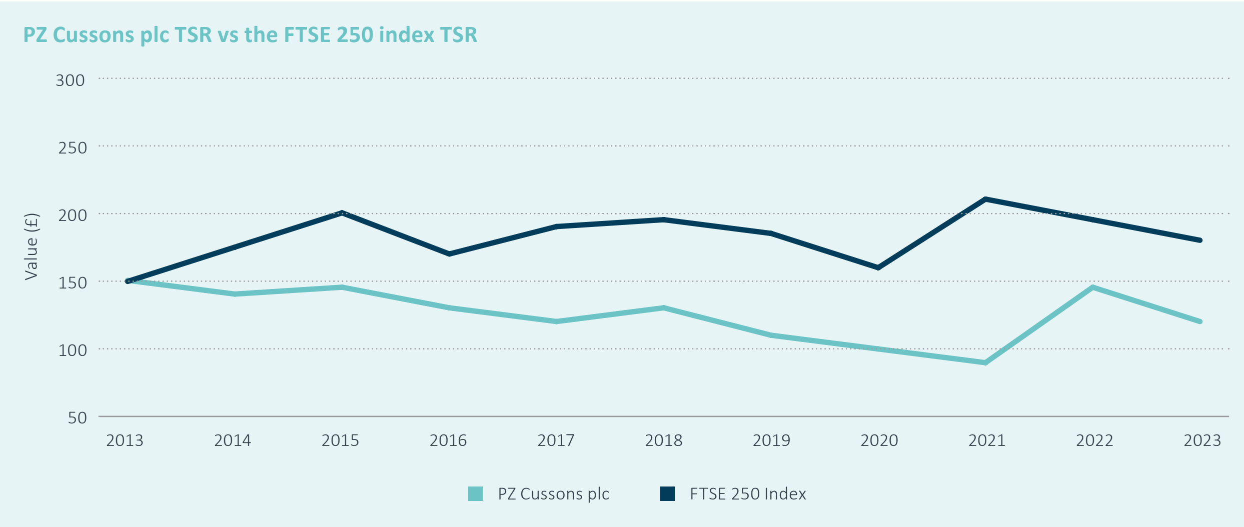
There were no loss of office or payments to former Directors during the year.

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.

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 2023 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.



Chief Executive Officer remuneration for previous ten years

	Total remuneration (£000)	Annual bonus % of maximum opportunity	LTIP % of maximum opportunity
2022–23	**1,572**	**80.1%**	**20%**
2021–22	1,151	54.4%	n/a
2020–21	1,518	100.0%	n/a
2019–20[1]	660	n/a	n/a
2018–19	802	0%	0%
2017–18	732	0%	0%
2016–17	1,586	100.0%	0%
2015–16	1,105	47.4%	0%
2014–15	1,463	72.8%	32.5%
2013–14	1,053	78.0%	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 2022 and 31 May 2023, and the percentage change:

	2023 £m	2022 £m	Change %
Total employee costs	**84.7**	72.8	16.3%
Dividends paid	**26.8**	25.5	5.1%
Profit before tax and adjusting items[1]	**74.1**	65.8	12.6%

1 This metric is in line with the Group's profitability KPI, which is set out on page 49.

Report on the Directors' Remuneration continued

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 FY22 to FY23.

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.

	UK Employees	Jonathan Myers (CEO)	Sarah Pollard (CFO)	David Tyler (Chair)	Caroline Silver (Chair)	Kirsty Bashforth	Dariusz Kucz	John Nicolson	Jeremy Townsend	Jitesh Sodha	Valeria Juarez
2022-2023											
Salary/fees	**3.5%**	**3.4%**	**8.7%**	**n/a**	**(2.3)%**	**(0.6)%**	**(0.7)%**	**(0.6)%**	**(0.6)%**	**9.1%**	**44.4%**
Benefits	**0.0%**	**0.2%**	**0.3%**	**0.0%**	**n/a**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Bonus	**41.6%**	**52.4%**	**62.7%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
2021-2022											
Salary/fees	3.5%	3.5%	10.5%	–	0.0%	6.1%	5.1%	4.7%	4.7%	100.0%	100.0%
Benefits	0.0%	0.0%	0.0%	–	(87.0)%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bonus	(62.0%)	(56.0%)	38.0%	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020-2021											
Salary/fees	3.0%	0.0%	n/a	–	(14.3)%	17.5%	0.0%	0.0%	(19.0)%	–	–
Benefits	0.0%	0.1%	n/a	–	(87.0)%	(100.0)%	(100.0)%	(100.0)%	n/a	–	–
Bonus	0.0%	n/a	n/a	–	n/a	n/a	n/a	n/a	n/a	–	–

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 Jonathan Myers in relation to FY23. As set out, 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 2023. For any employee who joined after 1 June 2022 and was still employed at 31 May 2023, 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.

	Method	CEO Single figure (£000)	Upper quartile	Median	Lower quartile
2022–23	**A**	**1,572**	**18**	**29**	**44**
2021–22	A	1,151	15	23	30
2020–21	A	1,518	19	29	40
2019–20	A	660	9	13	19

It should be noted that the pay ratio is likely to change year-on-year given a significant proportion of the CEO's remuneration package comprises of variable pay.

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions as at 31 May 2023 are set out below:

2023	Salary	Total pay
Upper quartile individual	**£74,955**	**£89,263**
Median individual	**£45,000**	**£54,004**
Lower quartile individual	**£30,828**	**£35,695**

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 four scheduled and two additional meetings during the 2023 financial year with our activities summarised in the box on page 130.

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)
- Jeremy Townsend
- Jitesh Sodha
- Valeria Juarez.

During the year, the Committee received advice from Willis Towers Watson (WTW). WTW is a member 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, evolving market practice and provided support during the Remuneration Policy review. The fees paid to WTW in respect of this work were charged on a time and materials basis and totalled £115,000 excluding VAT for the year. WTW does not have any other connections with PZ Cussons plc or any Director of the Company. The Committee is satisfied that the advice provided by WTW is objective and independent.

During the year, the Committee consulted Caroline Silver and David Tyler (in their capacity as Non-Executive Chair) on issues where it felt their experience and knowledge could benefit its deliberations and they attended meetings by invitation. The Committee also consulted Jonathan Myers as CEO on proposals relating to the remuneration of members of the Group's senior management team and he too attended meetings by invitation. The CFO, Chief People Officer and Group Reward Director 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 the Directors' Remuneration continued

Committee activities during the year ended 31 May 2023

July 2022	• Update on external environment from independent advisor • Review of the impact of the Childs Farm acquisition on incentives • Review annual bonus awards for FY22 • Review of structure and financial targets for the annual bonus scheme for FY23 • Approval of executive salary review.	• Review of vesting of past awards under the PSP and update on the progress of in-flight awards • Review of financial targets for the PSP for FY22 • Review of draft Remuneration Report in respect of FY22 • Review of levels of share ownership • Update on Group reward strategy.
August 2022	• Review and approval of financial targets for the annual bonus scheme for FY23.	
September 2022	• Update on external environment from independent advisor • Approval of PSP targets for the FY23 awards • Approval of FY22 Directors' Remuneration Report.	• Approval of approach to the Remuneration Policy review • Wider workforce remuneration update.
January 2023	• Update on external environment from independent advisor • Update on FY23 annual bonus performance and confirmation of Group PBT threshold post audit • Update on the progress of in-flight PSP awards • Approval and review of interim PSP awards.	• Approval of interim senior leader pay increase • Wider workforce remuneration update • Remuneration Policy approach update • Review of target setting principles.
March 2023	• Update on FY23 annual bonus performance • Update on the progress of in-flight PSP awards • Wider workforce remuneration update.	• Remuneration Policy approach update • Review of target adjustment principles.
May 2023	• Feedback on policy proposals • Update on external environment from independent advisor • Update on FY23 annual bonus performance • Consideration of FY24 annual bonus target setting principles.	• Update on the progress of in-flight PSP awards • Wider workforce remuneration update including salary review proposals • Review of approach to interim remuneration changes for ELT • Review of Board Chair's fee.

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. As part of the Policy review process, we engaged with major shareholders comprising c. 60% of our total shareholder base.

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 FY23 this took the form of consultation on the proposed new Policy, as well as questions at the AGM.

The Remuneration Committee Chair will be available to answer questions from the shareholders regarding remuneration at the 2023 AGM and looks forward to ongoing dialogue with shareholders during FY24.

The votes cast at the 2022 AGM in respect of the approval of the 2022 Report on Directors' Remuneration and in respect of the approval of the Directors' Remuneration Policy are shown below:

Advisory vote on the 2022 Report on Directors' Remuneration (2022 AGM)

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
316,712,358	92.82	24,515,949	7.18	341,228,307	75,522

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

26 September 2023

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 2023.

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 52 to 57 of the Strategic Report.

The Directors recommend a final dividend of 3.73p (2022: 3.73p) per ordinary share to be paid on 30 November 2023 to ordinary shareholders on the register at the close of business on 3 November 2023, which, together with the interim dividend of 2.67p (2022: 2.67p) paid on 6 April 2023, makes a total of 6.40p for the year (2022: 6.40p).

SCOPE OF THE REPORTING IN THIS ANNUAL REPORT AND FINANCIAL STATEMENTS

The Group's statement on corporate governance can be found on pages 74 to 137 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.

The information required to be disclosed by the UK Listing Rules, LR 9.8.4 R (for the purposes of LR 9.8.4C R) and section 416(1)(a) of the Companies Act 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 119 to 131
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	Details 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	Employee Share Ownership Trust (ESOT): see note 23 of the Consolidated Financial Statements
12	Shareholder waivers of future dividends	ESOT: see note 23 of the Consolidated Financial Statements
13	Agreements with controlling shareholders	Report of the Directors – page 132

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 ended 31 May 2023	
David Tyler	Appointed on 24 November 2022
Caroline Silver	Served until 31 March 2023
Jonathan Myers	Served throughout the year
Sarah Pollard	Served throughout the year
Dariusz Kucz[1]	Served throughout the year

Service in the year ended 31 May 2023	
John Nicolson	Served throughout the year
Kirsty Bashforth	Served throughout the year
Jeremy Townsend	Served throughout the year
Jitesh Sodha	Served throughout the year
Valeria Juarez	Served throughout the year

1 Dariusz Kucz stepped down from the Board and its Committees on 14 September 2023.

DIRECTORS' INTERESTS

The Directors' and connected persons' interests in the share capital of the Company at 31 May 2023, together with their interests at 1 June 2023, or date of appointment if later, are detailed below:

ORDINARY SHARES

Beneficial	2023 Number	2022 Number
David Tyler	**12,500**	–
Caroline Silver	**42,500**	42,500
Jonathan Myers[1,2]	**101,175**	101,175
Kirsty Bashforth[4]	**10,210**	10,210
Dariusz Kucz	**7,500**	7,500
Sarah Pollard[3]	**29,485**	29,485
John Nicolson	**–**	–
Jeremy Townsend	**20,000**	20,000
Jitesh Sodha	**22,200**	22,200
Valeria Juarez[5]	**7,500**	7,500
Total	**253,070**	240,570

1 Charmian Myers, a person closely associated with Jonathan Myers, purchased 61,050 shares on 28 June 2023.

2 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). As at 14 September 2023, Jonathan Myers held 2,899 shares under the SIP Trust.

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). As at 14 September 2023 and Sarah Pollard held 2,768 shares under the SIP Trust.

4 Kirsty Bashforth purchased 12,259 shares on 30 June 2023.

5 Valeria Juarez purchased 8,000 shares on 10 July 2023.

Notes:

The figures in the table do not include 9,996,496 (2022: 10,193,781) ordinary shares purchased and held by the Employee Share Option Trust (ESOT) as at 31 May 2023. 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.

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).

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.

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 14 September 2023:

	As at 14 September 2023		As at 31 May 2023	
	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	**21,073,139**	**4.92%**	21,073,139	4.92%
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 22 of the Consolidated Financial Statements.

Report of the Directors continued

ADDITIONAL STATUTORY INFORMATION

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.
Significant agreements – Relationship Agreement	The Financial Conduct Authority's UK 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 UK Listing Rules (together, Independence Provisions). For the purposes of the UK 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 2023, the Concert Party held in the aggregate, approximately 43.13 % of the issued share capital of the Company. As required by the UK 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 2023 (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 £501,000 (2022: £185,000). No political contributions were made (2022: £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 emissions data for the year are contained within the Sustainability – Environment section on pages 26 to 41.
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 24 and 44 to 45. 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 (including its Committees) and an Executive Leadership Team (ELT) that reflects the diversity of our workforce and consumers in the countries in which we operate.

For the purposes of disclosure under Section 414C(8) of the Companies Act, further details on the composition of our global employee population as at 31 May 2023 are set out in the table below:

	2023		2022		2021		2020		2019	
	No.	%	No.	%	No.	%	No.	%	No.	%
Female employees	**726**	**27**	756	27	832	28	899	27	1,064	28
Male employees	**1,918**	**73**	2,005	73	2,111	72	2,461	73	2,717	72
Female senior managers	**74**	**40**	61	36	51	32	68	35	77	34
Male senior managers	**109**	**60**	109	64	110	68	125	65	150	66
Female Group Board Directors	**3**	**33**	4	44	3	43	4	50	3	38
Male Group Board Directors	**6**	**67**	5	56	4	57	4	50	5	62

External Auditor

PricewaterhouseCoopers LLP (PwC) has signified its willingness to act as External Auditor to the Company for the year ending 31 May 2024 and, in accordance with section 485 of the Companies Act 2006, a resolution for its appointment 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 on page 98.

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 Risk Management and Principal Risks section on pages 58 to 71 of the Strategic Report.

Annual General Meeting

The Company's 2023 Annual General Meeting (AGM) will be held at Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG at 10:30am on 23 November 2023. The resolutions that will be proposed at the AGM are set out in the separate Notice of AGM, which accompanies this Annual Report and Financial Statements.

Share capital

As of 31 May 2023, 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 Act 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.

Report of the Directors continued

Purchase of own shares	No shares were purchased from 1 June 2022 to 31 May 2023 (2022: nil) and no acquisitions were made by the ESOT (see note 23 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 UK 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 17 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 69.
Events after the balance sheet date	The post balance sheet events are described in note 30 to the consolidated financial statements.
Engagement with Employees, suppliers and Customers	Please see Statement of engagement with employees on page 83; Statement of engagement with other business relationships on page 83 and the Section 172(1) Statement on page 43.
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 10 to 13 • Details of Group subsidiaries including overseas branches are set out in note 29 of the consolidated financial statements • Financial instruments and risk management are set out in note 17 of the consolidated financial statements • Trade payables under vendor financing arrangements are set out in note 18 of the consolidated financial statements.

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, 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 74 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

26 September 2023

FINANCIAL STATEMENTS

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.

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.

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 2023 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 30 for the consolidated financial statements, and notes 1 to 10 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".

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: • Impact of control deficiencies; and • Impairment of intangible assets. Within this report, key audit matters are identified as follows: ! Newly identified ^ Increased level of risk – Similar level of risk v Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £3.08m which was determined on the basis of 4.2% of adjusted profit before tax.
Scoping	The scope of our audit covered 80% of revenue, 88% of adjusted profit before tax and 83% of gross assets.

Significant changes in our approach	We have designed our audit in light of the deficiencies identified within the group's IT control environment and our findings from previous audits. The nature, extent and timing of our audit procedures continue to be modified in order to respond to the pervasive risks arising from the control deficiencies. We have therefore deemed it necessary to include our consideration of these deficiencies as a key audit matter in FY23. In the prior year, we included the identification of cash generating units, and provisions for uncertain tax positions as key audit matters. With regards the identification of cash generating units, there have been no significant changes to the business in the period which would indicate that the conclusions reached in the prior year were incorrect. As such, we do not consider this to be a key audit matter for FY23. With regards to uncertain tax positions, whilst the group continues to operate in a number of overseas territories, the tax landscape is well understood; a number of balances are now settled or nearing settlement or agreed subject to conditions, there are few new tax judgements arising in the year and we involve specialists throughout the group to audit these positions. Whilst there continues to be judgement involved in the positions taken, we do not consider this to be a key audit matter for FY23.

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 references 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 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;
- Obtained an understanding of the current macroeconomic environment and the impact of these on the directors' assessment of going concern; and
- Evaluating the appropriateness of the disclosures in the financial statements related to going concern.

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.

Independent Auditor’s Report continued

To the Members of PZ Cussons plc

5. Key audit matters continued

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. Impact of internal control deficiencies !

Key audit matter description

As discussed in the Audit and Risk Committee’s Report on page 96, the group is undergoing a multi-year programme to improve the controls of the group, and in the year the group has invested £5.1m in their finance transformation programme (as set out in note 3).

IT and business process level control deficiencies were initially identified during the FY20 external audit, and as a result, management and the directors implemented a controls improvement programme, as noted above. In the current year, there continued to be general IT control deficiencies relating to privileged access, segregation of duties and third-party oversight. Furthermore, there continues to be a lack of sufficient review and challenge of forecasts utilised in impairment assessments. Primarily the historic and current year business process control weaknesses identified have been a contributing factor to the number of prior year adjustments (‘PYAs) identified in both the current and prior year leading to restatements (as set out in note 1c), and the higher than expected level of corrected misstatements identified through our audit procedures. We observed an improvement in group financial reporting process level controls in the year.

We have identified the impact of control deficiencies as a key audit matter given the significant additional time spent by senior members of the audit team considering the impact of control deficiencies, history of restatement, implementing a non-controls strategy and considering whether there was any exploitation of the controls gaps identified.

How the scope of our audit responded to the key audit matter

We adopted a fully substantive audit approach, with no reliance on internal controls.

We planned our audit in order to respond to the continued deficiencies within the control environment. Consequently, the nature, timing and extent of our audit procedures continued to be modified as a result of the pervasive risks arising from the deficiencies in the control environment. Specifically:

- Consistent with the prior year, we have used a lower performance materiality (being 60% of materiality) than would be ordinarily used if the control environment had been deemed effective. This increased the volume of substantive testing completed. See section 6 below for our materiality assessment.
- We continued to test a number of transactional balances at an elevated risk level and have therefore continued to perform an increased level of sample testing.
- We performed additional procedures to identify and address fraud risks, including the involvement of a fraud specialist. We performed targeted procedures in relation to specific fraud risks, including the risk of management override of controls and the other areas as set out in section 11.1 below.
- In relation to the GITC deficiencies identified, additional procedures were performed by our IT specialists to determine if the controls gap had been exploited; additional design and implementation testing was performed by the group audit team over master data review controls; and risk assessing and testing items identified as a result of ‘Park and Post’ findings identified.
- Senior members of the audit team have performed audit testing directly in the more complex areas of accounting, including impairment of intangible assets, accounting for quasi-equity loans, as well as consideration of prior year errors identified.
- We utilised data analytics in our testing, particularly with regards to revenue and cost of goods sold where there are large volumes of transactional data. We performed sample testing on the underlying transactional data used in this analysis in order to assess its completeness and accuracy, given the IT control deficiencies noted above. We used spreadsheet analysing tools to evaluate the integrity of management’s going concern and brand impairment models.

Key observations

The control transformation project is in its early stages. There are a number of improvements that need to be made in order to improve the controls environment and reduce the number of misstatements identified.

! Newly identified	— Similar level of risk
^ Increased level of risk	∨ Decreased level of risk

5.2. Impairment of intangible assets

Key audit matter description

As at 31 May 2023, the group recognised indefinite life intangible assets of £230.8m (2022: £245.8m) as per note 10 of the financial statements, which includes a reversal of a previously charged impairment on Rafferty's Garden of £4.2m, and an impairment charge of £16.5m in relation to Sanctuary Spa.

During the year ended 31 May 2023, the group performed its annual impairment assessment, as required by IAS 36 for Rafferty's Garden. Sanctuary Spa, Charles Worthington Original Source, St Tropez, Fudge and Childs Farm. The process involved the preparation of discounted cash flow analysis to support the value in use of the in order to determine the CGUs recoverable amount. We consider Rafferty's Garden, Sanctuary Spa and Charles Worthington to be the most sensitive to changes in assumptions.

Rafferty's Garden is a baby food and nutrition brand operating largely in the Australian market. As a result of financial performance historically, an impairment charge was recognised during the year to 31 May 2020 of £18.9m, and a partial reversal was recognised due to the brands recovery post Covid-19 in 2022 of £8.5m. The value in use calculation indicated that the CGUs recoverable amount exceeded its carrying value and therefore it was appropriate to reverse £4.2m of the previously recognised impairment charge. The increase in the recoverable amount reflected a change in the current year estimates reflecting the upturn in the brands performance.

Sanctuary Spa is a self-care brand operating largely in the UK market. Historically the market and financial performance of the brand has been challenging. The value in use calculation indicated an impairment charge was required of £16.5m, which reduces the value of the brand to £63m. The reduction in recoverable amount in the current year is largely driven by volume and margin declines as consumers are sensitive to price increases.

Charles Worthington is a personal hair care brand operating largely in the UK market. As a result of financial performance historically an impairment charge of £16.9m was recognised during the year to 31 May 2020, a partial reversal during the year to 31 May 2021 of £8.3m and a further impairment of £11.6m during the year to 31 May 2022. The value in use calculation indicated immaterial headroom driven by slower forecast growth following a strong sales performance in the current year coupled with a forecast recovery in margins after previous inflationary increases have been absorbed without passing price onto consumers. A range of outcomes which could either result in a future reversal of previous impairments or a reasonably possible outcome of further impairment being determined.

The impairment and related reversals of impairments on intangible brands, namely acquired brands, are considered a key audit matter due to the complexity and judgement applied in determining the recoverable value of each of the CGUs, as disclosed in note 1. There are key judgements over the discount rates to be applied across all CGU's and the revenue and margin growth rates applicable to Sanctuary Spa, Charles Worthington and Childs Farm. This matter is also discussed in the Audit and Risk Committee Report on page 99.

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;
- 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;
- Specifically with respect to Sanctuary Spa and Charles Worthington we challenged the brand recovery plans with reference to historic performance and external market data and with respect to Childs Farm we challenged the international growth assumptions with reference to the group's previous experience of developing new brands and launching brands internationally;
- 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;
- Challenged whether the disclosure in the financial statements, including the sensitivities were in line with IAS 36 and IAS 1; and,
- In response to the deficiencies identified with respect to managements review controls over impairment assessments we increased the level of substantive testing and the seniority of team members completing the work.

Independent Auditor's Report continued

To the Members of PZ Cussons plc

5.2. Impairment of intangible assets continued

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 charge is appropriate in respect of Sanctuary Spa. We concluded that the non-reversal of impairment on Charles Worthington was not material.

We consider that the use of 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. Similarly, the use of a blended discount rate to blended cash flows to account for overseas earnings 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.

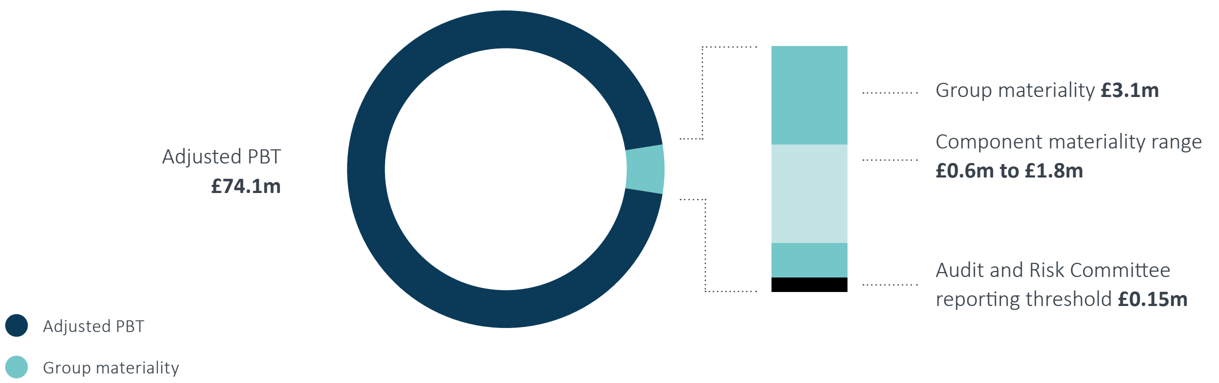
6. Our application of materiality

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	£3.1m (2022: £2.8m)	£0.6m (2022: £0.95m)
Basis for determining materiality	4.2% of adjusted pre-tax profit (2022: 4.2% 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 (2022: 1% of net assets). This has reduced as a result of the impairment recognised on investments in subsidiaries.
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 the business or other transactions of a 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.



!	Newly identified	—	Similar level of risk
^	Increased level of risk	v	Decreased level of risk

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% (2022: 60%) of group materiality	60% (2022: 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, as included as a key audit matter and 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.	

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 £154,000 (2022: £142,000), 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

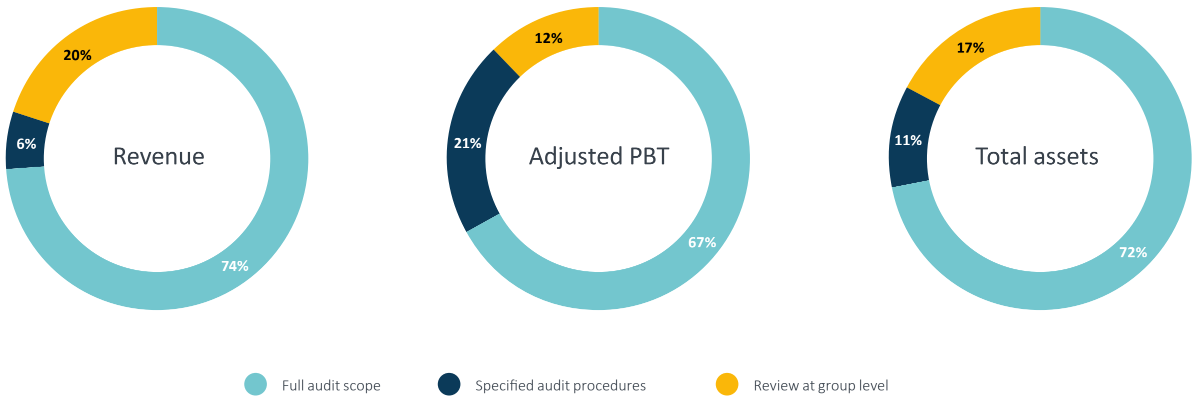
PZ Cussons is an international consumer goods group with an established portfolio of trusted brands across a range of markets which includes personal healthcare products and consumer goods. It operates worldwide especially in Africa and other commonwealth nations.

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 7 components including Singapore, Ghana, Thailand, one legal entity each within the UK and Nigeria, one trading entity within the US, and the Wilmar joint venture. 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 80% (2022: 88%) of revenue, 88% (2022: 86%) of adjusted profit before tax, and 83% (2022: 90%) of total 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 component which were lower than group materiality. Component materiality ranged from £0.6m to £1.8m (2022: £1.3m to £1.9m).

At a 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.



Independent Auditor's Report continued

To the Members of PZ Cussons plc

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 control deficiencies as set out in section 5.1.

7.3. Our consideration of climate-related risks

As highlighted in the directors' Task Force on Climate-Related Financial Disclosures (TCFD) report on page 35, and the principal risks on pages 61 to 68, the group is exposed to the impacts of climate change on its business and operations. The group continues to develop its assessment of the potential impacts of climate change and set targets which management considers to be aligned with the Paris Agreement.

The group discloses that has been no material impact identified in relation to climate change on their financial reporting judgements and estimates.

As part of our audit procedures, we have held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement on specific account balances. We considered the extent to which climate change-related impacts had been reflected in the group's forecast financial information and considered climate-related risks throughout our risk assessments on each financial statement account balance. Our procedures were performed with the involvement of our ESG specialist and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

We have not been engaged to provide assurance over the accuracy of these disclosures.

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 partner, supported by members of the group engagement team visited the Nigerian component, during the audit. The group engagement partner also visited both the Indonesian and Australian components during the audit period. To supplement these visit, regular meetings were held virtually 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.

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 take 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 the 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 weaknesses 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, including those that are specific to the group's sector;
- 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;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

Independent Auditor's Report continued

To the Members of PZ Cussons plc

11.1. Identifying and assessing potential risks related to irregularities continued

- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, 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: presentation of adjusting items and the completeness and accuracy of 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 laws and regulations applicable to the group (including its components) and the sector it operates in UK Companies Act, Listing Rules, pensions legislation, environmental and overseas as well as UK 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 framework related to the sale of beauty, cosmetic, baby 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 did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 in-house 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;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud within promotional trade spend accruals, performing retrospective reviews of prior year positions; performing substantive testing over the accrual balance and agreeing to contracts; and considering whether post year end settlements support or contradict those judgements reached;
- in addressing the risk of fraud within the presentation of adjusting items, testing a sample of adjusting items recognised in the year, and agreeing these to board approved plans for transformation projects; testing other income and expenses for evidence of unrecorded adjusting acquisitions; and reviewing the appropriateness of disclosures made in relation to adjusting items; 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 set out on page 69;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 69;
- the directors' statement on fair, balanced and understandable set out on page 101;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 58;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 99; and
- the section describing the work of the Audit and Risk Committee set out on page 96.

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.

Independent Auditor’s Report continued

To the Members of PZ Cussons plc

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 6 years, covering the years ending 2018 to 2023. We have informed the group that the year ended 31 May 2023 will be the final year of our appointment as auditor, and the group has since undertaken a process to select a replacement auditor, as described on page 96.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit 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 will 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.

John Charlton, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

26 September 2023

Consolidated Income Statement

For the year ended 31 May 2023

	Notes	2023			2022 (restated)		
		Business performance excluding adjusting items £m	Adjusting items (note 3) £m	Statutory results £m	Business performance excluding adjusting items £m	Adjusting items (note 3) £m	Statutory results £m
Continuing operations							
Revenue	2	**656.3**	**–**	**656.3**	592.8	–	592.8
Cost of sales		**(399.0)**	**–**	**(399.0)**	(365.3)	–	(365.3)
Gross profit		**257.3**	**–**	**257.3**	227.5	–	227.5
Selling and distribution costs		**(105.3)**	**–**	**(105.3)**	(90.3)	–	(90.3)
Administrative expenses		**(86.2)**	**(13.6)**	**(99.8)**	(76.7)	(1.3)	(78.0)
Share of results of joint ventures	12	**7.5**	**–**	**7.5**	6.6	–	6.6
Operating profit	2	**73.3**	**(13.6)**	**59.7**	67.1	(1.3)	65.8
Finance income		**14.1**	**1.3**	**15.4**	2.7	–	2.7
Finance costs		**(13.3)**	**–**	**(13.3)**	(4.0)	–	(4.0)
Net finance income/(costs)	6	**0.8**	**1.3**	**2.1**	(1.3)	–	(1.3)
Profit before taxation		**74.1**	**(12.3)**	**61.8**	65.8	(1.3)	64.5
Taxation	7	**(20.1)**	**4.7**	**(15.4)**	(12.8)	(0.3)	(13.1)
Profit for the year from continuing operations	4	**54.0**	**(7.6)**	**46.4**	53.0	(1.6)	51.4
Discontinued operations							
Loss from discontinued operations		**–**	**–**	**–**	(1.8)	–	(1.8)
Profit for the year		**54.0**	**(7.6)**	**46.4**	51.2	(1.6)	49.6
Attributable to:							
Owners of the Parent		**47.0**	**(10.6)**	**36.4**	50.8	(2.9)	47.9
Non-controlling interests		**7.0**	**3.0**	**10.0**	0.4	1.3	1.7
		54.0	**(7.6)**	**46.4**	51.2	(1.6)	49.6

		pence	**pence**	**pence**	pence	pence	pence
Earnings per share for continuing and discontinued operations							
Basic earnings per share	9	**11.23**	**(2.53)**	**8.70**	12.14	(0.69)	11.45
Diluted earnings per share	9	**11.19**	**(2.52)**	**8.67**	12.07	(0.69)	11.38
Earnings per share for continuing operations							
Basic earnings per share	9	**11.23**	**(2.53)**	**8.70**	12.57	(0.69)	11.88
Diluted earnings per share	9	**11.19**	**(2.52)**	**8.67**	12.50	(0.69)	11.81

Refer to note 1(c) for details of the prior year restatements.

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2023

	Notes	2023 £m	2022 (restated) £m
Profit for the year		**46.4**	49.6
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement and other long-term employee benefit obligations	21	**(32.8)**	37.4
Deferred tax charge on remeasurement of retirement and other long-term benefit obligations	19	**7.4**	(8.4)
Total items that will not be reclassified to profit or loss		**(25.4)**	29.0
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(21.7)**	21.7
Cash flow hedges – fair value movements net of amounts reclassified	17	**0.4**	0.2
Reclassification of exchange differences on repayment of permanent as equity loans (net of taxation)		**–**	(2.7)
Reclassification of reserves on disposals		**–**	0.1
Total items that may be reclassified subsequently to profit or loss		**(21.3)**	19.3
Other comprehensive (expense)/income for the year net of taxation		**(46.7)**	48.3
Total comprehensive (expense)/income for the year		**(0.3)**	97.9
Attributable to:			
Owners of the Parent		**(6.9)**	94.3
Non-controlling interests		**6.6**	3.6
		(0.3)	97.9

Refer to note 1(c) for details of the prior year restatements.

Consolidated Balance Sheet

As at 31 May 2023

	Notes	2023 £m	2022 (restated) £m	2021 (restated) £m
Assets				
Non-current assets				
Goodwill and other intangible assets	10	**312.7**	333.9	293.6
Property, plant and equipment	11	**74.3**	82.9	91.5
Right-of-use assets	25	**12.5**	16.9	11.7
Net investments in joint ventures	12	**52.0**	45.4	34.2
Deferred tax assets	19	**7.5**	4.5	5.9
Current tax receivable		**–**	1.2	1.7
Retirement benefit surplus	21	**38.5**	69.3	33.6
		497.5	554.1	472.2
Current assets				
Inventories	14	**112.9**	111.8	91.1
Trade and other receivables	15	**119.1**	105.0	110.7
Derivative financial assets	17	**1.0**	0.7	1.0
Current tax receivable		**1.0**	2.6	15.3
Current asset investments		**0.5**	0.5	0.3
Cash and cash equivalents	16	**256.4**	163.8	87.0
		490.9	384.4	305.4
Assets held for sale	13	**–**	3.4	7.6
		490.9	387.8	313.0
Total assets		**988.4**	941.9	785.2
Equity				
Share capital	22	**4.3**	4.3	4.3
Own shares	22	**(36.9)**	(40.0)	(40.0)
Capital redemption reserve		**0.7**	0.7	0.7
Hedging reserve		**0.2**	(0.2)	(0.4)
Currency translation reserve		**(89.0)**	(69.2)	(87.4)
Retained earnings		**511.7**	528.5	478.1
Other reserves		**4.6**	2.9	0.9
Attributable to owners of the Parent		**395.6**	427.0	356.2
Non-controlling interests		**26.5**	21.9	18.8
Total equity		**422.1**	448.9	375.0

Consolidated Balance Sheet continued

As at 31 May 2023

	Notes	**2023 £m**	2022 (restated) £m	2021 (restated) £m
Liabilities				
Non-current liabilities				
Borrowings	16, 17	**251.2**	174.0	118.0
Other payables	18	**4.1**	4.5	0.3
Lease liabilities	25	**11.3**	14.0	8.7
Deferred tax liabilities	19	**76.9**	91.7	74.2
Retirement and other long-term employee benefit obligations	21	**12.4**	13.1	12.9
		355.9	297.3	214.1
Current liabilities				
Borrowings	16	**–**	0.1	–
Trade and other payables	18	**182.2**	163.9	150.9
Lease liabilities	25	**1.7**	2.9	3.1
Derivative financial liabilities	17	**0.5**	1.6	0.8
Current taxation payable		**25.6**	21.6	35.2
Provisions	20	**0.4**	5.6	5.6
		210.4	195.7	195.6
Liabilities directly associated with assets held for sale		**–**	–	0.5
		210.4	195.7	196.1
Total liabilities		**566.3**	493.0	410.2
Total equity and liabilities		**988.4**	941.9	785.2

Refer to note 1(c) for details of the prior year restatements.

The consolidated financial statements from pages 151 to 219 were approved by the Board of Directors and authorised for issue on 26 September 2023.

They were signed on its behalf by:

J Myers S Pollard
26 September 2023

PZ Cussons plc
Registered number 00019457

Consolidated Statement of Changes in Equity

For the year ended 31 May 2023

		Attributable to owners of the Parent								
	Notes	Share capital £m	Own shares £m	Capital redemption reserve £m	Hedging reserve £m	Currency translation reserve £m	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
As at 1 June 2021 – as previously reported		4.3	(40.0)	0.7	(0.4)	(87.4)	474.6	0.9	18.8	371.5
Effect of prior year adjustments	1(c)	–	–	–	–	–	3.5	–	–	3.5
As at 1 June 2021 – as restated		4.3	(40.0)	0.7	(0.4)	(87.4)	478.1	0.9	18.8	375.0
Profit for the year – as restated		–	–	–	–	–	47.9	–	1.7	49.6
Other comprehensive income		–	–	–	0.2	18.2	28.0	–	1.9	48.3
Total comprehensive income for the year		–	–	–	0.2	18.2	75.9	–	3.6	97.9
Transactions with owners:										
Ordinary dividends	8	–	–	–	–	–	(25.5)	–	–	(25.5)
Share-based payment expense		–	–	–	–	–	–	2.0	–	2.0
Dividends relating to non-controlling interests		–	–	–	–	–	–	–	(0.5)	(0.5)
Total transactions with owners recognised directly in equity		–	–	–	–	–	(25.5)	2.0	(0.5)	(24.0)
As at 31 May 2022		4.3	(40.0)	0.7	(0.2)	(69.2)	528.5	2.9	21.9	448.9
As at 1 June 2022		**4.3**	**(40.0)**	**0.7**	**(0.2)**	**(69.2)**	**528.5**	**2.9**	**21.9**	**448.9**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**36.4**	**–**	**10.0**	**46.4**
Transfer between reserves	1(c)	**–**	**–**	**–**	**–**	**(1.5)**	**1.5**	**–**	**–**	**–**
Other comprehensive (expense)/income		**–**	**–**	**–**	**0.4**	**(18.3)**	**(25.4)**	**–**	**(3.4)**	**(46.7)**
Total comprehensive (expense)/ income for the year		**–**	**–**	**–**	**0.4**	**(19.8)**	**12.5**	**–**	**6.6**	**(0.3)**
Transactions with owners:										
Ordinary dividends	8	**–**	**–**	**–**	**–**	**–**	**(26.8)**	**–**	**–**	**(26.8)**
Share-based payment expense		**–**	**–**	**–**	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Shares issued from ESOT	22	**–**	**3.1**	**–**	**–**	**–**	**(2.5)**	**–**	**–**	**0.6**
Dividends relating to non-controlling interests, net of forfeitures		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Total transactions with owners recognised directly in equity		**–**	**3.1**	**–**	**–**	**–**	**(29.3)**	**1.7**	**(2.0)**	**(26.5)**
As at 31 May 2023		**4.3**	**(36.9)**	**0.7**	**0.2**	**(89.0)**	**511.7**	**4.6**	**26.5**	**422.1**

Refer to note 1(c) for details of the prior year restatements.

Consolidated Cash Flow Statement

For the year ended 31 May 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	24	**76.6**	66.2
Interest paid		**(11.8)**	(3.5)
Taxation paid		**(15.6)**	(12.3)
Net cash generated from operating activities		**49.2**	50.4
Cash flows from investing activities			
Interest received		**11.8**	2.6
Investment income received		**–**	0.1
Purchase of property, plant and equipment and software	10, 11	**(6.7)**	(8.2)
Proceeds from disposal of plant, property and equipment		**14.4**	18.6
Proceeds from disposal of businesses		**–**	6.4
Acquisition of subsidiary	28	**–**	(33.6)
Loans advanced to joint venture		**(11.2)**	(12.6)
Loan repayments from joint venture		**11.2**	21.0
Net cash generated from/(used in) investing activities		**19.5**	(5.7)
Cash flows from financing activities			
Dividends paid to Company shareholders	8	**(26.8)**	(25.5)
Dividends paid to non-controlling interests		**(2.6)**	(0.5)
Proceeds from loans by joint venture		**–**	0.6
Repayment of lease liabilities	25	**(2.5)**	(4.0)
Repayment of loans and borrowings facility	16	**(205.0)**	–
Proceeds from loan and borrowings facility	16	**283.0**	56.0
Financing fees paid on committed credit facility		**(2.8)**	–
Net cash generated from financing activities		**43.3**	26.6
Net increase in cash and cash equivalents		**112.0**	71.3
Effect of foreign exchange rates	16	**(19.3)**	5.4
Cash and cash equivalents at the beginning of the year	16	**163.7**	87.0
Cash and cash equivalents at the end of the year	16	**256.4**	163.7

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 223. PZ Cussons plc is the parent company and ultimate parent of the Group.

The principal 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 consolidated financial statements are presented in Pounds Sterling (GBP) and, unless otherwise indicated, 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 2023 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
Bronson Holdings Limited	09771991
PZ Cussons Acquisition Co Limited	13977759
PZ Cussons (International Finance) Limited	08589433
St. Tropez Holdings Limited	05706646
Tadley Holdings Limited	10438262
Thermocool Engineering Company Limited	09266188

1. ACCOUNTING POLICIES

The consolidated 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 are described on pages 168 to 169.

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 section of the Strategic Report. The financial position of the Group and liquidity position are described within the Financial Review section of the Strategic Report. In addition, note 17 to these consolidated financial statements includes the Group's objectives and policies for managing its capital; its financial risk management objectives; its exposures to market risk, credit risk and liquidity risk; and details of its financial instruments and hedging activities.

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 these consolidated financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 May 2023. The scenarios considered as part of the going concern assessment are consistent with those used in the longer-term viability statement set out on pages 69 to 71.

The consolidated financial statements have been prepared using consistent accounting policies except as stated below.

(a) New and amended accounting standards adopted by the Group

The following amendments to existing standards have been applied for the first time in the year ended 31 May 2023:

- Amendments to IAS 16 'Plant, Property & Equipment' – Proceeds before Intended Use
- Amendments to IFRS 3 'Business Combinations' – Reference to the Conceptual Framework
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020.
- Amendments to IAS 1 'Presentation of Financial Statements' – Non-Current Liabilities with Covenants.

The adoption of the new accounting standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

(b) New accounting standards and interpretations in issue but not yet effective

Certain amendments to existing standards, as listed below, have been published that are not mandatory for the 31 May 2023 reporting year and have not been early adopted by the Group.

Effective date 1 January 2023:

- Amendments to IAS 1 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates.
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 12 'Income Taxes' – Deferred Tax related to Assets and Liabilities arising from a Single Transactions.

Effective date 1 January 2024:

- Amendments to IFRS 16 'Leases' – Lease Liability in a Sale and Leaseback.

Effective date to be confirmed:

- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investment in Associates' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the new accounting standards and interpretations listed above is not expected to lead to any significant changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

(c) Corrections of errors

In preparing these consolidated financial statements management identified errors relating to transactions reported in prior periods. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' these errors have been corrected either by restatement of previously reported figures or within the current year as described below.

Restatements

The following items were considered as material errors requiring restatement of previously reported figures.

Intangible asset impairment – in the year ended 31 May 2020 a number of businesses were disposed of by the Group, resulting in the recognition of a £6.3 million impairment charge in relation to capitalised software. The accounting treatment of these impairments has subsequently been reviewed and determined to be not in accordance with IAS 36 'Impairment of Assets'. The effects of correcting for this error are to increase the previously reported carrying value of intangible assets on the consolidated balance sheet by £4.7 million as at 1 June 2021 with a corresponding increase in the deferred tax liability of £1.2 million, and to recognise a £0.8 million amortisation charge within previously reported administrative expenses in the consolidated income statement for the year ended 31 May 2022, with a corresponding £0.2 million decrease in the taxation charge.

Childs Farm business combination – in March 2022, the Group acquired Childs Farm. The non-controlling interest of £3.3 million recognised on the business combination has subsequently been reviewed and determined to be not in accordance with IFRS 3 'Business Combinations'. The effect of correcting for this error is to reduce each of the previously reported carrying values of goodwill and non-controlling interests on the consolidated balance sheet by £3.3 million as at 31 May 2022. There is no impact on the previously reported consolidated income statement.

The impact on the consolidated balance sheets and consolidated income statement of restating previously reported figures for the items described is set out in the tables below:

As at 31 May 2021	As previously reported £m	Intangible asset impairment £m	As restated £m
Consolidated balance sheet			
Goodwill and other intangible assets	288.9	4.7	293.6
Total assets	780.5	4.7	785.2
Retained earnings	(474.6)	(3.5)	(478.1)
Deferred taxation liabilities	(73.0)	(1.2)	(74.2)
Total equity and liabilities	(780.5)	(4.7)	(785.2)

As at, and for the year ended, 31 May 2022	As previously reported £m	Intangible asset impairment £m	Childs Farm business combination £m	As restated £m
Consolidated income statement				
Administrative expenses	(77.2)	(0.8)	–	(78.0)
Profit before taxation	65.3	(0.8)	–	64.5
Taxation	(13.3)	0.2	–	(13.1)
Profit for the year from continuing operations	52.0	(0.6)	–	51.4
Profit for the year	50.2	(0.6)	–	49.6
Consolidated balance sheet				
Goodwill and other intangible assets	333.3	3.9	(3.3)	333.9
Total assets	941.3	3.9	(3.3)	941.9
Retained earnings	(525.6)	(2.9)	–	(528.5)
Non-controlling interests	(25.2)	–	3.3	(21.9)
Deferred taxation liabilities	(90.7)	(1.0)	–	(91.7)
Total equity and liabilities	(941.3)	(3.9)	3.3	(941.9)

Corrections in current year

The following items were not considered as material errors, and therefore have been corrected in the current year.

Reclassification of exchange differences on repayments of permanent as equity loans – in the prior year, £1.5 million of accumulated foreign exchange losses were reclassified to the consolidated income statement following a decision to repay the intercompany loan between PZ Cussons Ghana Limited and a fellow subsidiary. This treatment has subsequently been reviewed and having considered the divergence in practice in the interpretation of IAS 21 'The Effects of Changes in Foreign Exchange Rates' the Group's policy is to reclassify foreign exchange differences on such items only on the disposal or partial disposal of an equity interest. This has been corrected in the current year through a transfer from retained earnings to the currency translation reserve. There is no impact on previously reported total equity.

Transactions of the Company-sponsored Employee Share Option Trust (ESOT) – as stated in the accounting policies of the Company, transactions of the ESOT are treated as being those of the Company and are therefore reflected in the Group's consolidated financial statements. Purchases by the ESOT have been reflected, however certain issuances and sales of shares from the ESOT in previous years had not been. This has been corrected in the current year through a £2.7 million reduction in the own shares reserve for the cost of shares issued and sold, the recognition of cash proceeds of £0.6 million with a corresponding decrease in retained earnings.

Impairment of net investment in joint ventures – in the year ended 31 May 2021, Wilmar PZ International Pte. Limited, a 50% joint venture interest of the Group, ceased operations and a £2.2 million impairment was recognised against the carrying value of the Group's net investment. The joint venture was formally dissolved in May 2023 and a subsequent review of the previous impairment charge has identified that the impairment was made in error, and a correction has been made in the current year.

In addition, certain comparative disclosures have been corrected as disclosed in notes 5, 17(b) and 26.

(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.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

Business combinations and goodwill

The Group accounts for business combinations by applying 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, and presented 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 any existing investment 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 the existing investment 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 investment is credited/charged to the consolidated income statement, and presented as an adjusting item.

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, otherwise it is recognised in profit or loss.

Goodwill arising on a business combination 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 equity method investment recognised at the date of acquisition. Goodwill arising on the acquisition of a subsidiary is separately presented on the Group's balance sheet, and goodwill arising on the acquisition of an equity method investment is included within the carrying value of the investment. 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 consolidated 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 annually, or more frequently if there are indicators of impairment. The method used for impairment testing is to allocate goodwill to appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generate independent cash inflows, and to estimate the recoverable amounts of the CGUs as the higher of the asset's fair values less costs of disposal and the value in use. An impairment arises if the recoverable amount of the CGU is less than the carrying amount, in which case the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment losses recognised for goodwill cannot be reversed in a subsequent period.

On disposal of a subsidiary or an equity method investment, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint ventures

Under IFRS 11 'Joint Arrangements', 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 joint venture and its carrying value, and then recognises the loss within 'Share of results of a joint venture' in the consolidated income statement.

Revenue

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 consist 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.

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.

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

Finance income includes interest receivable on short-term deposits, interest receivable on loans to joint ventures, net finance income in relation to defined benefit pension schemes and the change in the fair value of deferred consideration on business combinations.

Finance costs

Finance costs include interest expense in relation to financial liabilities (which includes the unwind of the discount rate applied to lease liabilities), finance expense on defined benefit pension schemes, amortisation of fees incurred in arranging financing and the change in the fair value of deferred purchase consideration on business combinations.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

Adjusting items

The Group adopts a columnar format in presenting the consolidated income statement to highlight significant items within the Group's results for the year. Such items are classified and presented 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 adjusting 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 presentation of such items as adjusting items.

The Directors believe that the separate disclosure of these items is relevant to an understanding of the Group's financial performance by providing an alternative and 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.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. Further, they may not be comparable with similarly-titled measures reported by other companies due to differences in the way they are calculated.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised within that statement.

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.

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 consolidated 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 is brought into use. Land and assets in the course of construction are not depreciated.

An asset is de-recognised from the consolidated 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 consolidated income statement 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, to the extent 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 the consolidated income statement.

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 less any impairment loss and recorded as a separate item within property, plant and equipment. Gains or losses on disposal are recognised within administrative expenses in profit or loss. No depreciation is charged on the basis that it is not considered to be material in any year or cumulatively.

Other intangible assets

Other intangible assets comprise brands and software.

Brands

An acquired brand is only recognised on the consolidated 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 consolidated balance sheet at fair value at the date of acquisition. Trademarks, patents and purchased brands are recorded at purchase cost.

The Directors believe that 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 the Directors have not taken into consideration planned future expenditure in excess of that required to maintain the asset at that standard of performance.

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. The method used for impairment testing is similar to that used for goodwill whereby the brand is allocated to a CGU based on the smallest identifiable group of assets that generate independent cash inflows. The recoverable amount of the CGU is determined as the higher of the asset's fair value less costs of disposal and the value in use. An impairment arises if the recoverable amount of the CGU is less than the carrying amount. Any impairment is recognised immediately in the consolidated income statement.

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 in the consolidated income statement.

Software

Expenditure on research activities is recognised in the consolidated 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.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

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 £5,000) where the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

While the Group does lease certain equipment and vehicles, its leasing activities mainly relate to properties. Leasing contracts are typically made for fixed periods of up to 12 years, but certain property leases across the Group have extension and termination options which 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 at the rate implicit in the lease, or if that cannot be readily determined, at the Group's incremental borrowing rate specific to the term, country, currency and start date of the lease. 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 balance sheet, and 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 'Provisions, Contingent Liabilities and Contingent Assets'. 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.

As a practical expedient, IFRS 16 'Leases' 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 consolidated 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 remeasured in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Items'. 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 coordinated 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 consolidated 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 Group uses derivative financial instruments such as forward foreign exchange 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 'Financial Instruments'.

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 consolidated income statement.

Financial assets

The Group's financial assets are initially and subsequently measured at either amortised cost or fair value through profit or 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 the consolidated income statement 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 consolidated balance sheet as part of the 'net investment in joint ventures') are measured initially at fair value and is subsequently held at amortised cost less an ECL allowance. The loans are assessed for an ECL allowance 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 to 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. Any associated loss allowance related to loans to joint ventures is recorded in the consolidated income statement.

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.

(a) Interest bearing loans and borrowings

Interest-bearing bank loans, borrowings and overdrafts are initially recorded at fair value, net of directly related fees, 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.

(b) 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.

(c) 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 using 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 trade payables with separate disclosures in the notes to the consolidated financial statements. The credit period does not exceed 12 months and are not discounted. As at the reporting date, trade payables under vendor financing arrangements were £nil (2022: £5.9 million), see note 18.

(d) Share capital and own shares

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 member of the Group purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of tax), 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 tax, are included in equity attributable to the Company's equity holders.

Reserves

(a) Capital redemption reserve

Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the capital redemption reserve.

(b) Hedging reserve

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in the hedging reserve through other comprehensive income. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income and accumulated in the hedging reserve are removed directly from equity and included in the initial measurement of the asset or liability. If the hedged item is transaction-related the foreign currency basis spread is reclassified to profit or loss when the hedged item affects profit or loss. Those reclassified amounts are recognised in the consolidated income statement in the same line as the hedged item.

(c) 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.

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.

Warranties are provided within the Africa Electricals Division. Warranties are provided from the date of sale and are typically 12 months in length. A warranty provision is included in the consolidated balance sheet, which is calculated on the basis of historical returns as well as past experiences and industry averages for defective products.

Retirement benefit and similar obligations

The Group operates retirement benefit schemes in the UK and for certain overseas operations. In the UK, these comprise defined benefit schemes, each of which was closed to future accrual on 31 May 2008, and defined contribution schemes. Overseas schemes are predominantly defined contribution schemes, with the exception of PZ Cussons Indonesia, which operates a defined benefit scheme.

The Group accounts for its defined benefit schemes under IAS 19 'Employee Benefits'.

The deficit/surplus of the defined benefit pension schemes is recognised in the consolidated 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. 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.

Pension charges/income recognised in the consolidated income statement consists of administration charges for 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.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding interest) are included directly in other comprehensive income.

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

The Group operates a number of long-term incentive schemes which provide share awards to Executive Directors and certain senior employees. These schemes are designed to align the interests of the participants with those of the Group's shareholders. The Group also operates a Share Incentive Plan (SIP) scheme which is open to UK employees.

The awards under these plans 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, where they apply, and service conditions. At each balance sheet date, the estimate of the number of awards that are expected to vest is assessed, and the impact of the revision, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

Dividend distributions

Dividend distributions which are subject to shareholder approval are recognised as a liability in the period in which the approval is given. Interim dividends, which do not require shareholder approval, are recognised when paid.

Consideration of climate change

In preparing the consolidated financial statements, management have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 35 to 39. There has been no material impact identified on the financial reporting judgements and estimates. In particular, management considered the impact of climate change in respect of the following areas:

- Assessment of impairment of goodwill, other intangibles and tangible assets
- Assessment of impairment of financial assets
- Going concern and viability disclosures
- Impact on useful economic lives of assets
- Preparation of budgets and cash flow forecasts.

Given the low value of short to medium term risk to these areas assessed in the TCFD report, no climate change related impact was identified. The viability assessment on pages 69 to 71 includes an assessment of severe but plausible scenarios, including climate change risks, with the potential to impact future performance but none of these are considered likely to give rise to a trading deterioration of the magnitude indicated by the stress testing or to threaten the viability of the business over the four year assessment period. Management are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

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.

Key sources of estimation uncertainty

Pensions

The cost of defined benefit pension schemes and the present value of the pension obligation are determined using actuarial assumptions in those valuations. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Significant differences in actual experience or significant changes in key assumptions could affect the retirement benefit surplus/obligations and the net interest expense. In determining the discount rate, management considers the interest rates of corporate bonds with at least an 'AA' rating or above and having terms to maturity approximating to the terms of the related pension obligation to be appropriate. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

See note 21 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 consolidated financial statements. Any such management estimates are made in accordance with IFRS requirements, including IAS 12 'Income Taxes' and IFRIC 23 'Uncertainty over Income Tax Treatments' when considering income tax and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' 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 2023 of £25.2 million (2022: £29.5 million), of which £20.1 million (2022: £18.8 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. Due to the known difference in technical standpoint, this potential tax liability has been provided for in full as the range of possible outcomes could be a liability up to the full value of the provided amount, however the potential future settlement remains a cash risk.

Of the remaining £5.1 million (2022: £10.7 million), £2.8 million (2022: £5.1 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, as at 31 May 2023 the Group had further contingent tax liabilities of £7.8 million (2022: £8.9 million) and contingent assets of £2.2 million (2022: £nil). Although having a lower probability of a material financial, such positions have been disclosed as contingent liabilities in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Assessment of impairment of goodwill and other indefinite life assets

Goodwill and brands have all arisen from business combinations and all have indefinite useful lives and, in accordance with IAS 36 'Impairment of Assets', are subject to annual impairment testing (which the Group carries out at the year-end date), or more frequently if there are indicators of impairment. The method used for impairment testing is to allocate assets (including goodwill and brands) to appropriate CGUs based on the smallest identifiable group of assets that generate independent cash inflows, and to estimate the recoverable amounts of the CGUs as the higher of the asset's fair values less costs of disposal and the value in use. Value in use is determined using cash flow projections from approved budgets and plans which are then extrapolated based on estimated long-term growth rates applicable to the markets and geographies in which the CGUs operate. The cash flow projections are discounted based on a pre-tax weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group adjusted for risks specific to the particular CGU. The assumptions used in the cash flow projections, and associated sensitivities, are described and set out in note 10.

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 determining 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. The carrying value of brands within intangible assets as at 31 May 2023 was £230.8 million, and if, for example, the useful lives of brands were estimated to be 50 years based on their strength and durability, this would give rise to an annual impairment charge of £4.6 million.

Critical areas of judgement

Permanent as equity balances

Common with many groups, subsidiaries within the Group enter into transactions with fellow subsidiaries. These transactions give rise to intragroup receivable/payable balances which, given the different functional currencies of subsidiaries, can mean certain of these receivable/payable balances will be denominated in foreign currency for one of the counterparties or, in some instances, both counterparties. The retranslation of these intragroup foreign currency balances gives rise to foreign currency exchange differences, and IAS 21 'The Effects of Changes in Foreign Exchange Rates' provides guidance on the classification of these differences. More specifically, in relation to consolidated financial statements, IAS 21 provides guidance when settlement of these balances is neither planned nor likely to occur in the foreseeable future in which case such balances can be considered permanent as equity. Under these circumstances, which also extends to amounts lent to equity method investments, exchange differences are classified as other comprehensive income within the currency translation reserve. Judgement is required when assessing when the permanent as equity criteria are met. The Group's loan to its joint venture, PZ Wilmar Limited, is considered a permanent as equity loan (note 12).

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 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 comprises the activities of our in-house Fragrance business and of the costs associated with the Global headquarters and above market functions, net of recharges to our regions. Intra-Group sales of materials and 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.

Notes to the Consolidated Financial Statements continued

2. SEGMENTAL ANALYSIS CONTINUED

(a) Reportable segments

Continuing operations

2023	Europe & the Americas £m	Asia Pacific £m	Africa £m	Central £m	Eliminations £m	Total £m
Gross segment revenue	210.2	197.8	256.3	74.0	(82.0)	656.3
Inter-segment revenue	(4.4)	(7.1)	–	(70.5)	82.0	–
Revenue	205.8	190.7	256.3	3.5	–	656.3
Segmental operating profit/(loss) before adjusting items and share of results of joint ventures	29.3	27.5	29.7	(20.7)	–	65.8
Share of results of joint ventures	–	–	7.5	–	–	7.5
Segmental operating profit/(loss) before adjusting items	29.3	27.5	37.2	(20.7)	–	73.3
Adjusting items	(28.9)	2.1	11.1	2.1	–	(13.6)
Segmental operating profit/(loss)	0.4	29.6	48.3	(18.6)	–	59.7
Finance income						15.4
Finance costs						(13.3)
Profit before taxation						61.8

2022 (restated)	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	(11.1)	–	60.5
Share of results of joint ventures	–	–	6.6	–	–	6.6
Segmental operating profit/(loss) before adjusting items	35.0	20.9	22.3	(11.1)	–	67.1
Adjusting items	(12.1)	16.1	6.3	(11.6)	–	(1.3)
Segmental operating profit/(loss)	22.9	37.0	28.6	(22.7)	–	65.8
Finance income						2.7
Finance costs						(4.0)
Profit before taxation						64.5

Refer to note 1(c) for details of the prior year restatements.

Segment assets and liabilities are not disclosed because they are not reported to or reviewed by the CODM.

(b) Geographical and category analysis

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:

2023	UK £m	Nigeria £m	Other £m	Total £m
Revenue	177.9	227.9	250.5	656.3
Goodwill and other intangible assets	274.9	2.8	35.0	312.7
Property, plant and equipment	23.7	29.8	20.8	74.3
Right-of-use assets	9.2	1.2	2.1	12.5
Net investment in joint ventures	–	52.0	–	52.0

2022 (restated)	UK £m	Nigeria £m	Other £m	Total £m
Revenue	172.5	192.3	228.0	592.8
Goodwill and other intangible assets	296.6	3.0	34.3	333.9
Property, plant and equipment	24.1	34.8	24.0	82.9
Right-of-use assets	12.0	1.4	3.5	16.9
Net investment in joint ventures	–	47.0	(1.6)	45.4

Refer to note 1(c) for details of the prior year restatements.

The Group analyses its revenue by the following categories:

	2023 £m	2022 £m
Hygiene	**334.8**	305.9
Baby	**123.1**	103.4
Beauty	**85.3**	80.9
Electricals	**105.4**	91.5
Other	**7.7**	11.1
	656.3	592.8

3. ADJUSTING ITEMS

Adjusting items income/(expense), all of which related to continuing operations, comprised:

	2023 £m	2022 £m
Nigeria Simplification	**6.8**	7.8
HR Transformation	**(0.6)**	(2.9)
Finance Transformation	**(5.1)**	(0.7)
Supply Chain Transformation	**(4.0)**	(0.7)
	(2.9)	3.5
Transaction-related income/(costs)	**0.7**	(1.4)
Intangible asset impairment net of impairment reversal	**(12.3)**	(3.1)
Impairment reversal of net investment in joint ventures	**2.2**	–
Reclassification of exchange differences on repayment of permanent as equity loans	**–**	(1.5)
Compensation from Australian Competition & Consumer Commission	**–**	1.5
Profit on disposal of five:am	**–**	0.7
Derecognition of capitalised costs related to cloud computing arrangements	**–**	(1.0)
Adjusting items before taxation	**(12.3)**	(1.3)
Taxation	**4.7**	(0.3)
Adjusting items after taxation	**(7.6)**	(1.6)

Adjusting items before taxation are classified within:

	2023 £m	2022 £m
Operating profit	**(13.6)**	(1.3)
Finance income	**1.3**	–
	(12.3)	(1.3)

Notes to the Consolidated Financial Statements continued

3. ADJUSTING ITEMS CONTINUED

A description of the principal adjusting items is provided below:

Nigeria Simplification – comprises £11.1 million from the profit on disposal of a number of residential properties (2022: £15.9 million profit), and other costs of £4.3 million (2022: £8.1 million) which, in the current year, relate to consultancy costs and other advisory costs related to the simplification programme, and in the prior year related to the impairment of factory assets and associated engineering spares within inventory.

HR Transformation – the programme centres around investment in a new people system designed to enhance ways of working, build organisational capability and underpin the Group's new culture, reduce organisational risk and embed better controls and drive process efficiency. This two-year programme of change is split into two phases across the Group's financial years 2022-24.

Finance Transformation – this project which started in 2022 is a three-year programme of change covering investment in a future finance operating model and improving capability, processes and controls. As well as ensuring the Group are ready for compliance deadlines with future corporate reform in Nigeria and the UK (ICFR or 'UK Sox' as part of the proposed BEIS corporate reform), it will also improve the overall Group control environment, with the right set of processes and systems and a strengthened financial control team. It will deliver an optimal Finance Shared Service Centre footprint and address the legacy finance process and systems issues associated with our SAP ERP system. The programme is expected to incur up to a further £5.3 million of costs in 2024.

Supply Chain Transformation – this multi-year programme which started in 2022 is designed to respond to the longer-term business strategy of the organisation, its objectives being 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. Total programme spend is estimated at approximately £16 million, of which approximately £3 million relates to capital expenditure, over the 5 year programme lifecycle.

Transaction-related income/costs – in March 2022, the Group acquired Childs Farm, and in the current year recognised a £1.3 million reduction in the deferred consideration liability for the acquisition (note 18) and incurred £0.6 million of costs related to the integration of the business. In the prior year, £1.4 million of costs directly attributable to the acquisition of Childs Farm were incurred including legal and other advisory fees.

Intangible asset impairment net of impairment reversal – comprises a £16.5 million impairment of the Sanctuary Spa brand (note 10) and a £4.2 million reversal of a prior period impairment of the Rafferty's Garden brand (note 10). In the prior year, an £11.6 million impairment of the Charles Worthington brand was recognised along with an £8.5 million reversal of a prior period impairment of the Rafferty's Garden brand, the latter resulting from a review of future growth assumptions used in the annual impairment test.

Impairment reversal of net investment in joint ventures – relates to the reversal of a £2.2 million impairment made in a previous period by the Group in its 50% interest in Wilmar PZ International Pte. Limited, which ceased trading in October 2020 and was dissolved in May 2023 (note 12).

The following items relate solely to the prior year:

Compensation from Australian Competition & Consumer Commission – being a receipt 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.

Profit on disposal of five:am – on 4 June 2021, the Group completed the sale of the assets associated with five:am, which was the Group's yoghurt business in Australia, for £7.2 million. The £0.8 million pre-tax profit recognised on disposal was net of £0.4 million of accumulated foreign exchange losses reclassified from equity. On a post-tax basis the profit was £2.5 million which included the release of a £1.2 million deferred tax liability in relation to the disposed brand.

Derecognition of capitalised costs related to cloud computing arrangements – following the April 2021 IFRIC agenda decision in relation to this matter, the Group reviewed its costs capitalised in respect of cloud computing arrangements and determined that they did not meet the criteria for capitalisation, and accordingly derecognised and expensed these.

4. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2023 £m	2022 (restated) £m
Net foreign exchange losses	**5.1**	7.1
Research and development costs	**0.5**	2.0
Depreciation of property, plant and equipment	**8.2**	9.3
Impairment of property, plant and equipment	**–**	5.9
Amortisation of intangible assets	**7.0**	7.4
Impairment of intangible assets	**16.5**	11.6
Impairment reversal of intangible assets	**(4.2)**	(8.5)
Depreciation of right-of-use assets	**3.9**	3.5
Profit on disposal of property, plant and equipment	**(11.1)**	(15.9)
Raw and packaging materials and goods purchased for resale	**377.5**	342.4
Inventory provisions	**2.0**	6.9
Net trade receivable provision reversal	**(0.8)**	–
Short-term or low-value lease rentals	**(0.2)**	–
Employee costs (note 5)	**84.7**	72.8

Refer to note 1(c) for details of the prior year restatements.

Auditor's remuneration

An analysis of Auditor's remuneration is provided below:

	2023 £m	2022 £m
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements and consolidation	**2.2**	1.3
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– audit of the Company's subsidiaries	**0.8**	0.8
Total audit fees	**3.0**	2.1
Fees payable to the Company's Auditor and its associates for other services:		
– audit-related assurance services	**–**	–
Total fees	**3.0**	2.1

Fees for permitted non-audit services paid to the Company's Auditor included £40,000 (2022: £40,000) for the review of the Group's interim statement released in February 2023 and in the prior year £700 in respect of services rendered to witness and report on the destruction of inventory in Thailand.

Notes to the Consolidated Financial Statements continued

5. EMPLOYEES

The average monthly number of employees (including Executive Directors) was as follows:

	2023 number	2022 number
Production	**1,647**	1,783
Selling and distribution	**613**	668
Administration	**412**	401
	2,672	2,852

Costs incurred in respect of the above were as follows (comparative amounts have been corrected from previously reported):

	2023 £m	2022 £m
Wages and salaries	**74.7**	63.3
Social security costs	**4.2**	3.5
Pension costs	**4.1**	4.5
Share-based payments expense	**1.7**	1.5
	84.7	72.8

The pension costs (note 21) consist of:

	2023 £m	2022 £m
Defined benefit schemes	**1.5**	1.7
Defined contribution schemes	**2.4**	2.2
Nigerian gratuity scheme	**0.6**	0.5
Other post-employment benefits	**(0.4)**	0.1
	4.1	4.5

6. NET FINANCE INCOME/(COSTS)

	2023 £m	2022 £m
Interest receivable on short-term deposits	**11.1**	1.7
Interest receivable on loans to joint ventures	**0.7**	0.4
Finance income on defined benefit pension schemes	**2.3**	0.6
Change in fair value of deferred consideration	**1.3**	–
Finance income	**15.4**	2.7
Interest payable on borrowings	**(11.3)**	(2.5)
Finance expense on defined benefit pension schemes	**(0.6)**	(0.6)
Interest expense on lease liabilities	**(0.5)**	(0.5)
Amortisation of financing fees	**(0.9)**	(0.4)
Finance costs	**(13.3)**	(4.0)
Net finance income/(costs)	**2.1**	(1.3)

7. TAXATION

	2023 £m	2022 (restated) £m
Current tax		
UK corporation tax		
– current year	**(2.2)**	2.5
– adjustments in respect of prior years	**(0.3)**	(0.5)
– double tax relief	**(0.5)**	(1.1)
	(3.0)	0.9
Overseas corporation tax		
– current year	**26.3**	12.2
– adjustments in respect of prior years	**0.8**	(0.5)
	27.1	11.7
Total current tax charge	**24.1**	12.6
Deferred tax		
Origination and reversal of temporary timing differences	**(6.2)**	(2.7)
Adjustments in respect of prior years	**(2.3)**	3.0
Effect of rate change adjustments	**(0.2)**	0.1
Total deferred tax charge	**(8.7)**	0.4
Total tax charge	**15.4**	13.0
Analysed as:		
Tax on profit before adjusting items	**20.1**	12.7
Tax on adjusting items	**(4.7)**	0.3
	15.4	13.0

Refer to note 1(c) for details of the prior year restatements.

The effective tax rate in relation to continuing operations for the year was 24.9% (2022: 20.2% as restated). Before adjusting items, the effective tax rate was 27.1% (2022: 19.5%).

Notes to the Consolidated Financial Statements continued

7. TAXATION CONTINUED

UK corporation tax is calculated at 20.0% (2022: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group has chosen to use the UK corporation tax rate for the reconciliation of the tax charge for the year to the profit before taxation as this is the seat for the central management and control of the Group.

	2023 £m	2022 (restated) £m
Profit before tax from continuing operations	**61.8**	64.5
Loss before tax from discontinued operations	**–**	(1.7)
Profit before tax	**61.8**	62.8
Tax at the UK corporation tax rate of 20.0% (2022: 19.0%)	**12.4**	11.9
Adjusted for:		
Effect of non-deductible expenses	**2.2**	6.6
Effect of non-taxable income	**(4.9)**	(10.0)
Effect of rate changes on deferred taxation (all territories)	**(0.5)**	–
Tax effect of share of results of joint ventures	**(2.2)**	(2.0)
Other taxes suffered outside of the UK	**3.2**	2.2
Net adjustment to amount carried in respect of uncertain tax positions	**(0.8)**	0.2
Movements in deferred tax assets not recognised	**(0.6)**	–
Adjustments in respect of prior years	**(1.5)**	(1.2)
Differences in foreign tax rates (non-UK residents)	**8.1**	5.3
Tax charge for the year	**15.4**	13.0
Tax charge attributable to continuing operations	**15.4**	13.1
Tax credit attributable to discontinued operations	**–**	(0.1)
Tax charge for the year	**15.4**	13.0

Refer to note 1(c) for details of the prior year restatements.

Primary reconciling differences between tax at UK corporation tax rate and the actual tax charge for the year include the following:

- Effect of non-deductible expenses of £2.2 million (2022: £6.6 million) include items considered non-deductible across the Group's various operating entities, including disallowances in respect of related party transactions
- Effect of non-taxable income of £4.9 million (2022: £10.0 million) predominately related to the non-taxable gain in Nigeria on property disposals. The prior year amount included 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
- Other taxes suffered outside the UK increased the annual tax charge by £3.2 million (2022: £2.2 million) and included unrelievable withholding taxes incurred on dividends received in the UK
- Differences in foreign tax rates during the year of £8.1 million (2022: £5.3 million) reflect changes in the Group profitability profile.

Taxation on items taken directly to equity and other comprehensive income was a credit of £8.9 million (2022: £9.3 million charge) and related to deferred tax on the remeasurement of retirement and other long-term benefit obligations, on share-based payments expense and on exchange differences on intercompany balances determined to be permanent as equity.

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 £25.2 million as at 31 May 2023 (2022: £31.0 million). Further information on uncertain tax positions can be found in note 1(d) under 'Key sources of estimation uncertainty'.

8. DIVIDENDS

	2023 £m	2022 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2022 of 3.73p (2022: 3.42p) per ordinary share	**15.6**	14.3
Interim dividend for the year ended 31 May 2023 of 2.67p (2022: 2.67p) per ordinary share	**11.2**	11.2
	26.8	25.5

After the balance sheet date, a final dividend for the year ended 31 May 2023 was proposed by the Directors of 3.73p per ordinary share. This results in a total final proposed dividend of £15.6 million (2022: £15.6 million). Subject to approval by shareholders at the Annual General Meeting, the dividend will be paid on 30 November 2023 to the shareholders on the register on 3 November 2023. The proposed dividend has not been included as a liability in the consolidated financial statements as at 31 May 2023.

9. EARNINGS PER SHARE

Earnings per share (EPS) represents the amount of earnings attributable to each ordinary share in issue. Basic EPS is calculated by dividing the earnings (profit after tax attributable to owners of the Parent) by the weighted average number of ordinary shares in issue during the year, excluding own shares owned by employee trusts.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares relate to awards granted under the Group's share incentive schemes which are described in the share-based payments note (note 23).

The average number of shares is reconciled to the basic weighted average and diluted weighted average number of shares as set out below:

	2023 number 000	2022 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 trusts	**(10,180)**	(10,249)
Basic weighted average shares in issue during the year	**418,545**	418,476
Dilutive effect of share incentive schemes	**1,530**	2,365
Diluted weighted average shares in issue during the year	**420,075**	420,841

An adjusted EPS measure is provided which calculates EPS excluding adjusting items from profits attributable to owners of the Parent. As described in the accounting policies, the Directors believe that the separate disclosure of adjusting items is relevant to an understanding of the Group's financial performance, and excluding such items provides a more meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons.

Notes to the Consolidated Financial Statements continued

9. EARNINGS PER SHARE CONTINUED

Earnings per share from continuing and discontinued operations

	2023 £m	2022 (restated) £m
Profit after tax attributable to owners of the Parent	**36.4**	47.9
Exclude: adjusting items (net of taxation effect)	**10.6**	2.9
Adjusted profit after tax	**47.0**	50.8

	2023 pence	2022 (restated) pence
Basic earnings per share	**8.70**	11.45
Exclude: adjusting items	**2.53**	0.69
Adjusted basic earnings per share	**11.23**	12.14
Diluted earnings per share	**8.67**	11.38
Exclude: adjusting items	**2.52**	0.69
Adjusted diluted earnings per share	**11.19**	12.07

Refer to note 1(c) for details of the prior year restatements.

Earnings per share from continuing operations

	2023 £m	2022 (restated) £m
Profit attributable to owners of the Parent from continuing operations	**36.4**	49.7
Exclude: adjusting items (net of taxation effect)	**10.6**	2.9
Adjusted profit after tax	**47.0**	52.6

	2023 pence	2022 (restated) pence
Basic earnings per share	**8.70**	11.88
Exclude: adjusting items	**2.53**	0.69
Adjusted basic earnings per share	**11.23**	12.57
Diluted earnings per share	**8.67**	11.81
Exclude: adjusting items	**2.52**	0.69
Adjusted diluted earnings per share	**11.19**	12.50

Refer to note 1(c) for details of the prior year restatements.

Earnings per share from discontinued operations

	2023 £m	2022 £m
Loss after tax attributable to owners of the Parent from discontinued operations	**–**	(1.8)

	2023 pence	2022 pence
Basic losses per share	**–**	(0.43)
Diluted losses per share	**–**	(0.43)

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill £m	Software £m	Brands £m	Total £m
Cost				
As at 1 June 2021	53.9	66.0	233.2	353.1
Additions (restated)	13.5	1.4	35.5	50.4
Derecognition of capitalised costs related to cloud computing	–	(2.2)	–	(2.2)
Exchange differences	0.8	0.4	1.6	2.8
As at 31 May 2022	**68.2**	**65.6**	**270.3**	**404.1**
Additions	**–**	**2.0**	**–**	**2.0**
Disposals	**–**	**(0.5)**	**–**	**(0.5)**
Transfer to property, plant and equipment	**–**	**(0.4)**	**–**	**(0.4)**
Exchange differences	**(1.6)**	**(0.1)**	**(3.1)**	**(4.8)**
As at 31 May 2023	**66.6**	**66.6**	**267.2**	**400.4**
Accumulated amortisation and impairment				
As at 1 June 2021 – as reported	10.6	32.8	20.8	64.2
Effect of prior year adjustment	–	(4.7)	–	(4.7)
As at 1 June 2021 – as restated	10.6	28.1	20.8	59.5
Amortisation charge (restated)	–	7.4	–	7.4
Impairment charge	–	–	11.6	11.6
Impairment reversal	–	–	(8.5)	(8.5)
Derecognition of amortisation related to cloud computing	–	(1.2)	–	(1.2)
Exchange differences	0.5	0.3	0.6	1.4
As at 31 May 2022	**11.1**	**34.6**	**24.5**	**70.2**
Amortisation charge	**–**	**7.0**	**–**	**7.0**
Disposals	**–**	**(0.5)**	**–**	**(0.5)**
Impairment charge	**–**	**–**	**16.5**	**16.5**
Impairment reversal	**–**	**–**	**(4.2)**	**(4.2)**
Exchange differences	**(0.9)**	**–**	**(0.4)**	**(1.3)**
As at 31 May 2023	**10.2**	**41.1**	**36.4**	**87.7**
Net book value				
As at 31 May 2023	**56.4**	**25.5**	**230.8**	**312.7**
As at 31 May 2022 (restated)	57.1	31.0	245.8	333.9

Refer to note 1(c) for details of the prior year restatements.

Capitalised costs and accumulated amortisation relating to cloud computing were derecognised in 2021 following the IFRIC agenda decision in April 2021 regarding the treatment of such costs.

Amortisation is charged to administrative expenses in the consolidated income statement. Cumulative impairment of goodwill as at 31 May 2023 was £10.2 million (2022: £11.1 million) and cumulative impairment of brands as at 31 May 2023 was £36.4 million (2022: £24.5 million).

Software includes the Group's enterprise resource planning system (SAP), and the carrying value of this asset as at 31 May 2023 is £20.6 million (2022: £25.3 million as restated), with four years of amortisation remaining.

Notes to the Consolidated Financial Statements continued

10. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

Other than software, intangible assets comprise goodwill and brands. Goodwill and brands have all arisen from previous business combinations and all have indefinite useful lives and, in accordance with IAS 36 'Impairment of Assets', are subject to annual impairment testing (which the Group carries out at the year-end date), or more frequently if there are indicators of impairment. The method used for impairment testing is to allocate assets (including goodwill and brands) to appropriate cash-generating units (CGUs) based on the smallest identifiable group of assets that generate independent cash inflows, and to estimate the recoverable amounts of the CGUs as the higher of the assets' fair values less costs of disposal and the value in use. Value in use is determined using cash flow projections from approved budgets and plans which are then extrapolated based on estimated long-term growth rates applicable to the markets and geographies in which the CGUs operate. The cash flow projections are discounted based on a pre-tax weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group adjusted for risks specific to the particular CGU.

Goodwill of £56.4 million (2022: £57.1 million as restated) comprises £40.4 million (2022: £40.4 million) in relation to the acquisitions of the Group's Beauty brands (Charles Worthington, Fudge, Sanctuary Spa and St. Tropez), £13.5 million (2022: £13.5 million as restated) on the March 2022 acquisition of Childs Farm and £2.5 million (2022: £3.2 million) in relation to other acquisitions. Goodwill for the Beauty brands is assessed at the group of CGUs comprising these brands (see table below) as this represents the lowest level at which goodwill is monitored by management.

The carrying value of goodwill and each brand is set out in the table below. For the impairment testing of brands, each brand is allocated to a single CGU. For the impairment testing of goodwill, Childs Farm goodwill is allocated to the same CGU as the brand and, as noted above, Beauty goodwill is allocated to the group of CGUs comprising the Beauty brands:

	Goodwill 2023 £m	**Brands 2023 £m**	Goodwill (restated) 2022 £m	Brands 2022 £m
Charles Worthington		**9.6**		9.6
Fudge		**24.6**		24.6
Sanctuary Spa		**58.9**		75.4
St. Tropez		**58.4**		58.4
Beauty	**40.4**	**151.5**	40.4	168.0
Original Source	**–**	**9.8**	–	9.8
Rafferty's Garden	**–**	**34.0**	–	32.5
Childs Farm	**13.5**	**35.5**	13.5	35.5
Other	**2.5**	**–**	3.2	–
	56.4	**230.8**	57.1	245.8

In performing the impairment testing, the Group has used the budget and plan covering the four years ending 31 May 2027 as described in the Long Term Viability Statement on page 69 and the Board approved CGU specific plans for a fifth year before applying the long term growth rate. Assumptions in the budgets and plans used for the value in use cash flow projections (for all brands excluding Childs Farm) include future revenue volume and price growth rates, associated future levels of marketing support, the 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. Childs Farm was acquired in March 2022, and on the business combination a fair value for the brand of £35.5 million was recognised, with goodwill arising of £13.5 million. Management's stated plan is to expand the brand into international markets, and so specific assumptions on revenue growth along with associated higher gross margins have been applied. Revenue for Childs Farm is expected to triple over the five years ending 31 May 2028 reflecting the growth potential in international markets. The margin growth in international markets compared to the UK is driven by premium product pricing perception and lower expected promotional activity in these markets. Management forecasts cash conversion rates (being the ratio of operating cash flow to operating profit) based on historical experience.

The other key assumptions applied in determining value in use are the long-term growth rate beyond the period of the approved budget and plan, and the discount rate to apply to the cash flow projections, both of which are determined with reference to the markets and geographies in which the CGU (or group of CGUs) operates. The long-term growth rates and discount rates applied in the value in use calculations used in impairment tests were:

	Long-term growth rate 2023	Long-term growth rate 2022	**Pre-tax discount rate 2023**	Pre-tax discount rate 2022
Charles Worthington	**2.0%**	1.5%	**10.1%**	10.1%
Fudge	**2.0%**	1.5%	**10.7%**	10.1%
Sanctuary Spa	**2.0%**	1.5%	**10.2%**	8.0%
St. Tropez	**2.0%**	1.5%	**10.4%**	8.0%
Beauty group of CGUs (goodwill assessment)	**2.0%**	1.5%	**10.4%**	8.2%
Original Source	**2.0%**	1.5%	**10.5%**	8.0%
Rafferty's Garden	**2.5%**	2.5%	**10.6%**	10.0%
Childs Farm (brand and goodwill assessment)	**2.0%**	n/a	**12.2%**	n/a

The results of the impairment tests as at 31 May 2023 were as follows:

Sanctuary Spa

For the Sanctuary Spa brand, the recoverable amount of the applicable CGU was determined to be £63.0 million based on a value in use calculation which, when compared to a carrying value of £79.5 million (of which the brand represented £75.4 million), resulted in an impairment charge of £16.5 million. The recoverable amount reflected the challenging UK consumer and self-care category backdrop as cost-of-living pressures mean consumers are sensitive to price increases. Management has determined gross margin to be the key assumption in the forecasts for Sanctuary Spa given the factors noted above regarding consumer price sensitivity. Sensitivity analysis has been carried out and a reasonably possible change where gross margin was to decline by 2.5% within the five year forecast period would increase the impairment charge by £8.5 million to £25.0 million. Conversely should gross margins improve by 2.5% the impairment charge would reverse by £8.5 million to £8.0 million.

Charles Worthington

For the Charles Worthington brand, the recoverable amount of the applicable CGU which was based on a value in use calculation was determined to be £11.5 million, marginally in excess of the carrying value of £10.6 million (of which the brand represented £9.6 million). The recoverable amount reflected slower growth on a strong sales performance in the year ended 31 May 2023 coupled with a recovery in margins after previous inflationary cost increases were absorbed without passing on to consumers given price sensitivity during the cost of living crisis.

Management have determined gross margin to be the key assumption in the forecasts for Charles Worthington given the factors noted above regarding consumer price sensitivity. Sensitivity analysis has been carried out and a reasonably possible change where gross margin was to decline by 3.0% within the five year forecast period would result in an impairment charge of £1.2 million. Conversely should gross margins improve by 3.0% an impairment reversal of £3.0 million would be recorded. Management determined, therefore, that due to the marginal headroom in the base case and a potential reasonably possible downside leading to an impairment charge, that it was not appropriate to reverse any of the £19.9 million cumulative impairment recorded in prior years.

Management do not consider a further decline in volumes to be reasonably possible scenario based on historic experience. However, an increase of 20% in forecast sales within the five year forecast period would result in a reversal of £5.4 million being recorded.

Rafferty's Garden

For the Rafferty's Garden brand, the recoverable amount of the applicable CGU was determined to be £44.6 million based on a value in use calculation which, when compared to a carrying value of £32.0 million (reflecting brand value of £29.8 million), resulted in the reversal of a previously recognised impairment charge of £4.2 million. The increase in the recoverable amount reflected a change in the current year estimates reflecting the upturn in the brand's performance. The reversal of the impairment loss has not exceeded the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Other CGUs

For the remaining CGUs, the recoverable amounts of the respective applicable CGUs, which were determined based on value in use calculations, exceeded the carrying values. Sensitivity analysis on the value in use calculations did not identify potential impairment in relation to a reasonably possible downside in the assumptions used for the projections.

Notes to the Consolidated Financial Statements continued

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						
As at 1 June 2021	83.9	8.4	112.3	49.3	7.0	260.9
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 investment property	(4.7)	4.7	–	–	–	–
Other reclassifications	0.7	–	4.5	3.1	(8.3)	–
Exchange differences	4.0	(0.7)	7.3	1.2	0.3	12.1
As at 31 May 2022	**81.3**	**8.5**	**124.6**	**52.1**	**5.5**	**272.0**
Additions	**–**	**–**	**–**	**0.1**	**4.6**	**4.7**
Disposals	**(3.6)**	**–**	**(5.3)**	**(1.5)**	**(0.1)**	**(10.5)**
Reclassifications and transfer from intangible assets	**0.9**	**–**	**4.8**	**1.2**	**(6.6)**	**0.3**
Exchange differences	**(3.1)**	**(1.3)**	**(4.4)**	**(0.9)**	**(0.1)**	**(9.8)**
As at 31 May 2023	**75.5**	**7.2**	**119.7**	**51.0**	**3.3**	**256.7**
Accumulated depreciation and impairment						
As at 1 June 2021	32.6	0.8	89.1	46.9	–	169.4
Depreciation charge	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 charge	3.8	–	2.1	–	–	5.9
Exchange differences	1.1	–	5.6	1.0	–	7.7
As at 31 May 2022	**36.9**	**1.1**	**103.0**	**48.1**	**–**	**189.1**
Depreciation charge	**0.8**	**0.1**	**5.7**	**1.6**	**–**	**8.2**
Disposals	**(2.7)**	**–**	**(5.3)**	**(1.5)**	**–**	**(9.5)**
Reclassifications	**0.4**	**(0.4)**	**–**	**–**	**–**	**–**
Exchange differences	**(1.0)**	**–**	**(3.6)**	**(0.8)**	**–**	**(5.4)**
As at 31 May 2023	**34.4**	**0.8**	**99.8**	**47.4**	**–**	**182.4**
Net book value						
As at 31 May 2023	**41.1**	**6.4**	**19.9**	**3.6**	**3.3**	**74.3**
As at 31 May 2022	44.4	7.4	21.6	4.0	5.5	82.9

Depreciation is charged to administrative expenses except for plant and machinery which is charged to cost of sales in the consolidated income statement. As at 31 May 2023, the Group had entered into commitments for the purchase of property, plant and equipment amounting to £1.1 million (2022: £0.3 million). As at 31 May 2023, the Group's share in the capital commitments of its joint venture was £nil (2022: £nil).

Disposals in each year mainly related to the sale of residential properties in Nigeria as part of the ongoing simplification programme and which realised a £11.7 million (2022: £15.9 million) profit on disposal which was included within adjusting items (note 3).

The impairment charge of £5.9 million for land and buildings and plant and machinery in the prior year related to the impairment of factory assets in Nigeria as part of the ongoing simplification programme, and this charge was included within adjusting items (note 3).

The fair value of the investment properties as at 31 May 2023 is £42.2 million (2022: £43.7 million).

12. 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.

The Group's principal joint venture relates to a 50% interest in PZ Wilmar Limited, a manufacturing business based in Nigeria. In the Group's consolidated financial statements, the interest in PZ Wilmar Limited is accounted for using the equity method, and the Group includes loans advanced to the joint venture within its net investment.

The movement in the year in the carrying value of the net investments in joint ventures is set out below:

	PZ Wilmar Limited			
	Long-term loans £m	Equity method accounted £m	Other joint venture £m	Total £m
As at 1 June 2021	35.2	0.7	(1.7)	34.2
Share of profit	–	6.6	–	6.6
Exchange differences	4.4	0.1	0.1	4.6
As at 31 May 2022	**39.6**	**7.4**	**(1.6)**	**45.4**
Share of profit	**–**	**7.5**	**–**	**7.5**
Impairment reversal	**–**	**–**	**2.2**	**2.2**
Loan waived on dissolution	**–**	**–**	**(0.6)**	**(0.6)**
Exchange differences	**0.7**	**(3.2)**	**–**	**(2.5)**
As at 31 May 2023	**40.3**	**11.7**	**–**	**52.0**

The long-term loans are denominated in US Dollars, interest free and repayable in part or in full on demand, subject to a 12 month notice period. Exchange differences on the long-term loans are recorded within other comprehensive income as the loans are determined to be permanent as equity (applies to the exchange differences on the loans receivable and the corresponding loan payable in PZ Wilmar Limited's results).

Set out below is the summarised financial information for PZ Wilmar Limited:

	2023 £m	2022 £m
Assets		
Non-current assets	**46.4**	51.1
Current assets		
Cash and cash equivalents	**25.4**	43.4
Other current assets	**83.8**	67.5
	109.2	110.9
Total assets	**155.6**	162.0
Liabilities		
Non-current liabilities	**(82.2)**	(80.5)
Current liabilities	**(50.0)**	(66.8)
Total liabilities	**(132.2)**	(147.3)
Net assets	**23.4**	14.7
Proportion of Group's ownership interest in the joint venture	**50%**	50%
Equity method accounted carrying amount of the Group's interest in the joint venture	**11.7**	7.4

Notes to the Consolidated Financial Statements continued

12. NET INVESTMENTS IN JOINT VENTURES CONTINUED

	2023 £m	2022 £m
Revenue	**380.1**	295.6
Profit before tax	**20.2**	18.8
Profit after tax	**14.9**	12.6
Proportion of Group's ownership interest in the joint venture	**50%**	50%
Share of result of joint venture	**7.5**	6.6

The long-term loans issued to PZ Wilmar Limited 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 increased significantly since initial recognition. The loss allowance has been measured using lifetime expected credit loss by assessing the value in use of PZ Wilmar Limited, and on this basis, management has concluded that no impairment of these loans is required.

The Group's other joint venture related to a 50% interest in Wilmar PZ International Pte. Limited which ceased trading in October 2020 and was dissolved in May 2023 resulting in the reversal of a £2.2 million impairment recorded in a previous period. On dissolution, the loan advanced by the joint venture was waived.

13. ASSETS HELD FOR SALE

Assets held for sale as at 31 May 2023 were £nil (2022: £3.4 million). Assets held for sale at 31 May 2022 related to residential properties in Nigeria which are being disposed of as part of the ongoing simplification programme.

14. INVENTORIES

	2023 £m	2022 £m
Raw materials and consumables	**21.1**	27.9
Work in progress	**9.9**	10.0
Finished goods and goods for resale	**81.9**	73.9
	112.9	111.8

During the year, the cost of inventories recognised as an expense, and included in cost of sales, amounted to £377.5 million (2022: £342.4 million) which included £2.0 million (2022: £6.9 million) for the write-down to net realisable value for slow-moving and obsolete inventories. Inventories are stated after provision to write-down to net realisable value of £6.0 million (2022: £8.8 million).

15. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	**92.6**	90.9
Less: loss allowance	**(4.4)**	(3.9)
Net trade receivables	**88.2**	87.0
Amounts owed by joint ventures	**2.2**	1.7
Other receivables	**22.1**	11.0
Prepayments	**6.6**	5.3
	119.1	105.0

The Directors consider the carrying amount of trade and other receivables approximates to their fair value due to their short-term nature.

Movement in the trade receivables loss allowance was:

	2023 £m	2022 £m
As at 1 June	**(3.9)**	(4.1)
Increase in loss allowance	**(2.0)**	(0.9)
Allowance utilised during the year	**0.1**	0.3
Allowance released during the year	**1.2**	0.9
Exchange differences	**0.2**	(0.1)
As at 31 May	**(4.4)**	(3.9)

See note 17 for an analysis of the ageing and credit risk profile of trade receivables.

Net trade receivables are denominated in the following currencies:

	2023 £m	2022 £m
Sterling	**31.9**	36.3
US Dollar	**11.2**	12.5
Nigerian Naira	**10.1**	11.0
Euro	**0.7**	0.8
Australian Dollar	**17.3**	9.5
Indonesian Rupiah	**13.2**	12.1
Ghana Cedi	**0.8**	1.4
Other currencies	**3.0**	3.4
	88.2	87.0

The increase in other receivables during the year is primarily attributable to the retail auctions operated by the Central Bank of Nigeria, whereby the bank required advance Naira deposits prior to the bi-weekly allocation of foreign currency. Following the auction, the bank returned all cash either in Naira or if successful in the auction, foreign currency. These auctions ceased after year end following the policy announcement made by the Central Bank of Nigeria to liberalise the foreign exchange regime (note 30).

16. CASH AND CASH EQUIVALENTS AND NET DEBT

Cash and cash equivalents include cash at bank and in hand, short-term deposits and other highly liquid investments with original maturities of three months or less which are readily convertible into known amounts of cash and insignificant risk of changes in value.

Borrowings comprise bank overdrafts and amounts drawn under the Group's committed credit facility. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management. Further details on the Group's committed credit facility are provided in note 17.

The Group defines its adjusted net debt as cash and cash equivalents net of borrowings, and net debt as cash and cash equivalents net of borrowings and lease liabilities.

Movements in cash and cash equivalents, adjusted net debt and net debt were:

	1 June 2022 £m	Net cash flow £m	Foreign exchange movements £m	Other* £m	31 May 2023 £m
Cash at bank and in hand	**105.8**	**31.0**	**(9.4)**	**–**	**127.4**
Short-term deposits	**58.0**	**80.9**	**(9.9)**	**–**	**129.0**
Cash and cash equivalents reported in the consolidated balance sheet	**163.8**	**111.9**	**(19.3)**	**–**	**256.4**
Current borrowings – bank overdrafts	**(0.1)**	**0.1**	**–**	**–**	**–**
Cash and cash equivalents reported in the consolidated cash flow statement	**163.7**	**112.0**	**(19.3)**	**–**	**256.4**
Non-current borrowings	**(174.0)**	**(77.2)**	**–**	**–**	**(251.2)**
Current asset investments	**0.5**	**–**	**–**	**–**	**0.5**
Adjusted net cash/(debt)	**(9.8)**	**34.8**	**(19.3)**	**–**	**5.7**
Lease liabilities	**(16.9)**	**3.0**	**–**	**0.9**	**(13.0)**
Net debt	**(26.7)**	**37.8**	**(19.3)**	**0.9**	**(7.3)**

Notes to the Consolidated Financial Statements continued

16. CASH AND CASH EQUIVALENTS AND NET DEBT CONTINUED

	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 reported in the consolidated balance sheet	87.0	71.0	5.8	–	163.8
Current borrowings – bank overdrafts	–	(0.1)	–	–	(0.1)
Cash and cash equivalents reported in the consolidated cash flow statement	87.0	70.9	5.8	–	163.7
Non-current borrowings	(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 and an increase in the lease liability arising from the unwinding of interest element.

As at 31 May 2023, £204.1 million (2022: £113.0 million) of the cash and cash equivalents was held by the Group's Nigerian subsidiaries. The increase of this amount during the year was mainly due to the effect of the country's foreign exchange regime where exchange rate controls impact the ability of those subsidiaries to access foreign currency in order to settle foreign currency liabilities. Subsequent to the year end, a policy announcement was made by the Central Bank of Nigeria to liberalise the foreign exchange regime, and following this announcement, the Naira exchange rate weakened against Sterling and USD (see note 30).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments

The carrying amounts of each class of financial instruments were:

Financial assets

	2023 £m	2022 £m
Derivatives designated as hedging instruments		
Forward foreign exchange contracts	**0.8**	0.4
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	**0.2**	0.3
Equity instruments at fair value through profit or loss		
Current asset investments	**0.5**	0.5
Debt instruments at amortised cost		
Cash and cash equivalents	**256.4**	163.8
Net trade receivables and other receivables	**110.3**	98.0
Amounts owed by joint ventures	**2.2**	1.7
Long-term loans owed by joint venture	**40.3**	39.6
	410.7	304.3
Classified within:		
Current assets	**370.4**	264.7
Non-current assets	**40.3**	39.6
	410.7	304.3

Financial liabilities

	2023 £m	2022 £m
Current interest-bearing borrowings		
Bank overdrafts	–	0.1
Non-current interest-bearing loans and borrowings at amortised cost		
Bank loans and borrowings	**251.2**	174.0
Derivatives designated as hedging instruments		
Forward foreign exchange contracts	**0.1**	0.5
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	**0.4**	1.1
Other financial liabilities at fair value through profit or loss		
Other payables[1]	**5.9**	7.2
Other financial liabilities at amortised cost		
Trade and other payables[2]	**175.5**	159.1
Lease liabilities	**13.0**	16.9
	446.1	358.9
Classified within:		
Current liabilities	**179.5**	166.4
Non-current liabilities	**266.6**	192.5
	446.1	358.9

1 Relates to deferred consideration on the acquisition of Childs Farm (note 18).
2 Excludes other taxation and social security.

Bank loans and borrowings are amounts drawn under committed facilities. During the year, the Group agreed a new £325 million committed credit facility which is available for general corporate purposes. The credit facility incorporates both a term loan, of up to £125 million, with the balance as a revolving credit facility (RCF) structure with maturity dates of up to November 2028. Drawings under the term loan are permitted in GBP, and under the RCF in GBP, Euros or US Dollar (USD) at interest rates at a margin above SONIA, EURIBOR or SOFR, as applicable, of 1.30–2.10% dependent on leverage and the attainment of specified sustainability performance targets. Bank loans and borrowings as at 31 May 2023, which are presented net of £0.8 million of unamortised financing fees, comprise £125.0 million of term loans which are denominated in GBP at an interest rate, including margin, of 5.73%, and £127.0 million of borrowings under the RCF which are denominated in GBP at interest rates, including margin, at between 5.66–5.78%.

This facility described above replaced the previous £325 million revolving credit facility which was due to expire in November 2023, and the bank loans and borrowings as at 31 May 2022 of £174.0 million at an interest rate of 0.80% above SONIA relate to this previous facility.

In addition, the Group retains other unsecured and uncommitted facilities that are primarily used for trade-related activities. As at 31 May 2023, these amounted to £199.8 million (2022: £252.3 million) of which £93.3 million, or 47% were utilised (2022: £53.8 million or 21%). As at the reporting date, there were no bank overdrafts (2022: £0.1 million).

Notes to the Consolidated Financial Statements continued

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Changes in liabilities arising from financing activities were as follows:

	1 June 2022 £m	Net cash flow £m	Foreign exchange movements £m	Other £m	31 May 2023 £m
Current borrowings – bank overdrafts	**(0.1)**	**0.1**	**–**	**–**	**–**
Non-current borrowings – bank loans and borrowings	**(174.0)**	**(78.0)**	**–**	**0.8**	**(251.2)**
Lease liabilities	**(16.9)**	**3.0**	**–**	**0.9**	**(13.0)**

	1 June 2021 £m	Net cash flow £m	Foreign exchange movements £m	Other £m	31 May 2022 £m
Current borrowings – bank overdrafts	–	(0.1)	–	–	(0.1)
Non-current borrowings – bank loans and borrowings	(118.0)	(56.0)	–	–	(174.0)
Lease liabilities	(11.8)	4.0	(0.5)	(8.6)	(16.9)

(b) 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 Group 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 Group's 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 Group's normal purchasing activities.

A. Market risk

The Group's principal market risks are in relation to foreign currency exchange rates, the prices of certain commodities and interest rates. In managing market risks, the Group aims to minimise the impact of short-term fluctuations on the Group's financial performance. However over the longer term, permanent changes in market rates will have an impact on consolidated earnings.

(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 currency exchange rates. The Group is exposed to foreign currency exchange translation and transaction risks as follows:

- Foreign currency exchange translation risks arise due to the translation of assets and liabilities denominated in currencies other than the functional currency of the subsidiary into functional currency, which is recorded in the income statement. Further translation differences arise on the translation of assets and liabilities of non-GBP functional currency operating entities into GBP being the Group's presentation currency, which are recorded in other comprehensive income
- Foreign currency 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 foreign exchange transaction risk exposures for the Group are the purchase of inventories (predominantly raw materials) and services purchased in USD and Euros. Group policy is to reduce this risk, mainly in relation to its GBP and AUD functional currency subsidiaries, by using forward foreign exchange derivative contracts as hedging instruments which are typically designated as cash flow hedges. In these cases, the Group negotiates the terms of the derivative to match the terms of the hedged item exposure normally including covering the period from initial forecasting of the hedged item purchase commitment 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 initially accounted for in the hedging reserve through other comprehensive income. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income and accumulated in the hedge reserve are removed directly from equity and included in the initial measurement of the asset or liability. If the hedged item is transaction-related the foreign currency 'basis spread' is reclassified to profit or loss when the hedged item affects profit or loss. Those reclassified amounts are recognised in the consolidated income statement in the same line as the hedged item.

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. Where there is ineffectiveness and hedge accounting criteria are not met, the change in the fair value of the derivative is accounted for through profit or loss. There was no ineffectiveness during the reporting period in relation to the use of forward foreign exchange contracts.

The notional amounts of forward foreign exchange contracts outstanding as at the reporting date, along with the weighted average hedge rates of these contracts and average spot rates for the reporting period are as follows:

	Notional					Fair value	
2023	**Currency million**	**Currency pair**	**Weighted average hedge rate**	**GBP equivalent £m**	**Average spot rate**	**Asset £m**	**Liability £m**
sell USD	**73.5**	**GBP:USD**	**1.24**	**59.0**	**1.20**	**0.1**	**(0.3)**
buy EUR	**5.5**	**GBP:EUR**	**1.13**	**4.9**	**1.15**	**–**	**(0.2)**
sell AUD	**8.2**	**GBP:AUD**	**1.86**	**4.4**	**1.78**	**0.1**	**–**
buy USD	**19.9**	**AUD:USD**	**0.68**	**15.2**	**0.68**	**0.8**	**–**
buy GBP	**0.6**	**AUD:GBP**	**0.56**	**0.6**	**0.65**	**–**	**–**
buy SGD	**0.5**	**USD:SGD**	**1.34**	**0.3**	**1.37**	**–**	**–**
						1.0	**(0.5)**

	Notional					Fair value	
2022	Currency million	Currency pair	Weighted average hedge rate	GBP equivalent £m	Average spot rate	Asset £m	Liability £m
sell USD	55.7	GBP:USD	1.29	43.1	1.34	0.3	(1.3)
buy EUR	9.8	GBP:EUR	1.17	8.3	1.18	0.1	(0.1)
sell AUD	4.8	GBP:AUD	1.82	2.6	1.84	–	(0.1)
buy USD	29.4	AUD:USD	0.73	23.1	0.73	0.3	(0.1)
buy GBP	1.0	AUD:GBP	0.57	1.0	0.54	–	–
buy SGD	3.4	USD:SGD	1.37	2.0	1.36	–	–
						0.7	(1.6)

As at 31 May 2023, the aggregate net amount of fair value movements of forward foreign exchange contracts currently deferred in the cash flow hedge reserve was a gain of £0.2 million (2022: £0.2 million loss). It is anticipated that the purchases of the hedged items that these forward exchange contracts were entered into for, will take place during the next financial year and these will be sold within 12 months of purchase.

The movement in the hedging reserve during the year was as follows:

	2023 £m	2022 £m
As at 1 June	**(0.2)**	(0.4)
Fair value net gains of hedging instruments, net of amounts reclassified	**0.4**	0.2
As at 31 May	**0.2**	(0.2)

The aggregate amount under forward foreign exchange contracts taken directly to profit or loss was a gain of £2.2 million (2022: £0.8 million loss).

Notes to the Consolidated Financial Statements continued

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The majority of the Group's assets and liabilities are denominated in the functional currency of the relevant subsidiary. The following sensitivity analysis illustrates the impact of a 10% strengthening of the Group's transactional currencies against local functional currencies, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and the long-term loan to a joint venture (note 12). The Group's exposure to foreign currency changes for all other currencies is not material. A similar but opposite impact would be felt on both profit and equity if the Group's main transactional currencies weakened against local functional currencies by a similar amount.

£m	2023 Impact on profit before tax	2023 Impact on pre-tax equity	2022 Impact on profit before tax	2022 Impact on pre-tax equity
US Dollar	**(6.2)**	**5.4**	(1.8)	5.5
Nigerian Naira	**3.1**	**–**	2.4	–
Chinese Renminbi	**(2.4)**	**–**	(0.5)	–

The table above shows the foreign currency risk in relation to non-functional currency financial instruments in subsidiaries' financial statements at the balance sheet date. In addition, the Group is also exposed to foreign currency risk on the translation of overseas subsidiaries' results into Sterling for the Group consolidated financial statements through the use of the average rate for the income statement and the closing rate for net assets. The impact on the Group's profit before tax and total equity if the applicable rate used to translate the results of the Group's principal foreign operations into Sterling were adjusted to show a 10% strengthening of Sterling is shown below. A similar but opposite impact would be felt if Sterling weakened against the other currencies by a similar percentage.

£m	Impact on adjusted operating profit	Impact on operating profit	Impact on total equity
Nigerian Naira	**(3.3)**	**(4.3)**	**(27.0)**
Indonesian Rupiah	**(1.7)**	**(1.7)**	**(0.9)**
Australian Dollar	**(0.8)**	**(1.3)**	**(5.3)**
Other	**(0.9)**	**(0.7)**	**(3.0)**

In the table above, the most significant balance sheet item impacting total equity for the Nigerian Naira is the cash and cash equivalents held by the Nigerian subsidiaries (note 16).

(ii) Commodity pricing risk

Commodity risk is the risk that changes in underlying raw material prices have an adverse impact on the Group'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.

(iii) Interest rate risk

Interest rate risk is the risk that a change in interest rates will have an adverse impact on the Group's financial performance. The Group is exposed to interest rate risk to the extent it has cash at bank and on short-term deposit, enters into floating rate borrowing arrangements, and/or related interest rate hedging derivatives.

The Group's policy permits entering into interest rate caps to minimise interest rate risk, and the Group previously entered into an interest rate cap on a notional principal amount of £75 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, and no interest rate caps have been taken out by the Group since.

The following table sets out the sensitivity to a reasonably possible change in the Nigerian Fixed Deposit interest rates on the cash at bank and short-term deposits held by the Group's Nigerian operations as at 31 May 2023 (note 16). With all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/ decrease in basis points	Effect on profit before tax 2023 £m	2022 £m
Nigeria rates	+50	**0.6**	–
	-50	**(0.6)**	–

The following table sets out the sensitivity to a reasonably possible change in SONIA interest rates on that portion of loans and borrowings affected as at 31 May 2023. With all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/ decrease in basis points	Effect on profit before tax 2023 £m	2022 £m
GBP rates	+50	**(1.3)**	(0.9)
	-50	**1.3**	0.9

B. Credit risk

The Group is exposed to counterparty credit risk from its financing and investing activities with banks and financial institutions, including cash deposits, and the use of derivatives and other financial instruments, from its operating activities (primarily trade receivables) and its loans to its joint venture (note 12). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets.

Financing and investing activities

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 & Poor's (S&P) or Fitch, with further limits established for levels of exposure at various ratings levels. The level of exposure and the credit worthiness of the Group's banking counterparties are 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.

Cash and cash equivalents and net forward foreign exchange contracts by counterparty credit rating at the end of the reporting period is as follows (ratings per S&P unless unavailable, in which case the Fitch rating is used). The 2022 classification has been corrected to report £114.3 million cash and cash equivalents as B+ to B- counterparty credit rating (previously reported as BB+ to BB-):

	2023		2022	
	Cash and cash equivalents £m	**Financial derivatives £m**	Cash and cash equivalents £m	Financial derivatives £m
AA-	**8.8**	**0.8**	11.1	0.2
A+ to A-	**38.6**	**(0.3)**	27.6	(1.0)
BBB+ to BBB-	**2.3**	**–**	8.4	(0.1)
BB+ to BB-	**2.3**	**–**	1.8	–
B+ to B-	**204.3**	**–**	114.3	–
not rated	**0.1**	**–**	0.6	–
	256.4	**0.5**	163.8	(0.9)

The amounts classified B+ to B- counterparty credit rating relate to cash and cash equivalents held predominantly in Nigeria where the sovereign credit rating is B- thereby limiting the rating of banks incorporated within the country.

There are no significant concentrations of credit risk within the Group arising from the use of derivatives or other financial instruments.

Notes to the Consolidated Financial Statements continued

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Trade receivables

The Group trades only with creditworthy third parties. Under the 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.

An allowance for loss is estimated by management based on the expected credit loss model approach. The creation and release of provisions for receivables is charged/credited to administrative expenses in the consolidated 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 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, and payment terms are generally 30 days, with a range from 14 to 90 days (2022: 14 to 90 days) which reflects the differing nature of trading in the Group's geographical segments.

No other receivables are deemed to be impaired.

The ageing and credit risk profile of trade receivables based on the Group's provision matrix at the end of the reporting period was:

As at 31 May 2023	Expected credit loss rate %	Gross trade receivables £m	Lifetime expected credit loss £m	Net trade receivables £m
Not past due	**0.1%**	**76.2**	**(0.1)**	**76.1**
Past due 0–30 days	**0.2%**	**10.0**	**–**	**10.0**
Past due 31–60 days	**3.8%**	**0.3**	**–**	**0.3**
Past due 61–90 days	**3.8%**	**0.5**	**–**	**0.5**
Past due 90–180 days	**2.9%**	**2.2**	**(0.1)**	**2.1**
Past due >180 days	**52.8%**	**3.4**	**(1.8)**	**1.6**
		92.6	**(2.0)**	**90.6**
Specific provision				**(2.4)**
Net trade receivables				**88.2**

As at 31 May 2022	Expected credit loss rate %	Gross trade receivables £m	Lifetime expected credit loss £m	Net trade receivables £m
Not past due	0.4%	74.4	(0.3)	74.1
Past due 0–30 days	1.1%	8.9	(0.1)	8.8
Past due 31–60 days	12.5%	1.6	(0.2)	1.4
Past due 61–90 days	11.1%	0.9	(0.1)	0.8
Past due 90–180 days	15.4%	1.3	(0.2)	1.1
Past due >180 days	38.2%	3.8	(1.3)	2.5
		90.9	(2.2)	88.7
Specific provision				(1.7)
Net trade receivables				87.0

C. Liquidity risk

The Group is exposed to the risk that it is unable to meet its financial commitments as they fall due.

Under the terms of the £325 million committed credit facility agreed during the year, the Group must meet certain financial covenants for the facility to remain in place and, therefore, for the Group to continue to borrow under it. The previous revolving credit facility, which was replaced by the currency facility, contained similar financial covenants. The covenants are described in the Capital risk management section.

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 customers and payments to suppliers, and the timing of any capital and restructuring projects.

Set out below is the maturity profile of the Group's financial liabilities which is based on the contractual undiscounted cash flows prepared using forward interest rates where applicable, showing items at the earliest date on which the liability could be required to be paid (for borrowings under committed facilities, the maturity is based on the maturity of the facility). 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.

As at 31 May 2023	**< 3 months £m**	**3–12 months £m**	**1–2 years £m**	**2–5 years £m**	**> 5 years £m**	**Total £m**
Trade and other payables	**177.3**	**–**	**1.3**	**2.8**	**–**	**181.4**
Forward foreign exchange contracts	**71.8**	**12.8**	**–**	**–**	**–**	**84.6**
Borrowings	**1.7**	**–**	**125.0**	**127.0**	**–**	**253.7**
Lease liabilities	**0.6**	**2.0**	**2.2**	**4.0**	**6.3**	**15.1**

As at 31 May 2022	< 3 months £m	3–12 months £m	1–2 years £m	2–5 years £m	> 5 years £m	Total £m
Trade and other payables	161.8	–	–	4.5	–	166.3
Forward foreign exchange contracts	79.5	42.2	–	–	–	121.7
Borrowings	0.1	–	174.0	–	–	174.1
Lease liabilities	0.7	2.6	2.9	5.3	8.0	19.5

The forward foreign exchange contracts disclosed in the tables above are the gross undiscounted cash outflows. Those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying values:

As at 31 May 2023	**< 3 months £m**	**3–12 months £m**	**1–2 years £m**	**2–5 years £m**	**> 5 years £m**	**Total £m**
Inflows	**71.9**	**13.2**	**–**	**–**	**–**	**85.1**
Outflows	**(71.8)**	**(12.8)**	**–**	**–**	**–**	**(84.6)**
Net	**0.1**	**0.4**	**–**	**–**	**–**	**0.5**
Carrying amounts:						
Asset	**0.5**	**0.5**	**–**	**–**	**–**	**1.0**
Liability	**(0.4)**	**(0.1)**	**–**	**–**	**–**	**(0.5)**
	0.1	**0.4**	**–**	**–**	**–**	**0.5**

As at 31 May 2022	< 3 months £m	3–12 months £m	1–2 years £m	2–5 years £m	> 5 years £m	Total £m
Inflows	78.8	42.0	–	–	–	120.8
Outflows	(79.5)	(42.2)	–	–	–	(121.7)
Net	(0.7)	(0.2)	–	–	–	(0.9)
Carrying amounts:						
Asset	0.5	0.2	–	–	–	0.7
Liability	(1.2)	(0.4)	–	–	–	(1.6)
	(0.7)	(0.2)	–	–	–	(0.9)

Notes to the Consolidated Financial Statements continued

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Capital risk management

The objective of the Group 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 bank loans, bank borrowings and equity, including, when applicable, derivatives used for the purposes of hedging currency and interest exposure on the loans and borrowings, but excluding the cash flow hedging reserve.

In support of its objectives, the Group may undertake actions to adjust its capital structure. Actions may include, but are not limited to, raising or prepaying 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 one of the covenants in relation to the Group's £325 million committed credit facility, being the Leverage ratio of Total Net Debt to EBITDA as defined in the facility agreement. As at 31 May 2023, the Group's net debt position was £7.3 million. This amount was net of £256.4 million cash and cash equivalents and, as described in note 16, the majority of this was held by the Group's Nigerian subsidiaries where the effect of the country's exchange rate controls impact the ability of those subsidiaries to access foreign currency in order to settle foreign currency liabilities. As described in the foreign currency risk section of this note, this Naira denominated cash and cash equivalents amount represents a balance sheet exposure for the Group.

The other covenant in relation to the £325 million credit facility is Interest Cover, being the ratio of Adjusted EBITDA to Net Finance Charges.

The committed credit 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.

During the year, and as at the reporting date, the Group was in compliance with all financial and other covenants. After the November 2022 refinancing, the Group and their lending banks made some amendments to clarify and confirm the basis of the covenant calculations.

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 Group uses various methods including market, income and cost approaches. Based on these approaches, the Group 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.

There were no transfers between Level 1, 2 and 3 during the current or prior year.

At the end of the reporting period, the Group held the following financial assets and liabilities at fair value:

As at 31 May 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Current asset investments	–	–	0.5	0.5
Derivative financial assets	–	1.0	–	1.0
Liabilities held at fair value				
Derivative financial liabilities	–	0.5	–	0.5
Other payables	–	–	5.9	5.9

As at 31 May 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Current asset investments	–	–	0.5	0.5
Derivative financial assets	–	0.7	–	0.7
Liabilities held at fair value				
Derivative financial liabilities	–	1.6	–	1.6
Other payables	–	–	7.2	7.2

The following is a description of the valuation methodologies and assumptions used for estimating the fair values.

Current asset investments – Current asset investments comprise non-listed equity investments. A discounted cash flow methodology is used to estimate the present value of the expected future economic benefits to be derived from the ownership of these investments.

Derivative financial instruments – Derivative financial instruments comprise forward foreign exchange contracts. 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. Counterparty credit is monitored. No adjustment to the fair value for credit risk is made due to materiality.

Other payables – Other payables held at fair value relate to deferred purchase consideration on the acquisition of Childs Farm (note 18), which was estimated by applying an appropriate discount rate to the expected future payments. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Should the target not be met, no consideration would be payable, and should the discount rate applied be changed, the fair value of the deferred purchase consideration would change, but the amount of consideration that would ultimately be paid would not necessarily change.

For the financial assets and liabilities not held at fair value, there was no material difference between their carrying values and their fair values, except for non-current borrowings which are presented net of unamortised issuance costs of £0.8 million.

18. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current		
Trade payables	**75.9**	78.4
Trade obligations with banks	**8.6**	–
Amounts owed to joint ventures	**–**	0.6
Other taxation and social security	**4.9**	2.1
Other payables	**10.8**	10.8
Accruals	**82.0**	72.0
	182.2	163.9
Non-current		
Other payables	**4.1**	4.5
	4.1	4.5

Refer to note 17 for further 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. Current trade payables include £nil (2022: £5.9 million) under these vendor financing arrangements.

Trade obligations with banks relate to common practice in Nigeria where the bank undertakes to settle certain trade creditors on the Group's behalf and receives subsequent settlement from the Group trading entities. The Group does not benefit from payment terms with the bank that are contractually extended beyond those agreed with the supplier, and neither does the supplier benefit from early payment terms. Accordingly, such liabilities continue to be recognised within trade payables and cash flows are presented as operating.

Deferred consideration for the acquisition of Childs Farm in 2022 (note 28) is included within other payables of which £3.1 million (2022: £3.2 million) is classified as current and £2.8 million (2022: £4.0 million) as non-current. The liability was reassessed during the year and a £1.3 million reduction was recognised in finance income.

Notes to the Consolidated Financial Statements continued

19. DEFERRED TAX

Deferred tax is provided under the balance sheet liability method using the applicable jurisdiction tax rate at which the balances are expected to unwind. Movements in deferred tax assets and liabilities during the year were:

	Property, plant and equipment £m	Retirement benefit obligations £m	Revaluation of property, plant and equipment £m	Unremitted earnings £m	Business combinations £m	Accruals and provisions £m	Tax losses £m	Other timing differences £m	Total £m
As at 1 June 2021 – as previously reported	(9.4)	(5.7)	(5.9)	(1.9)	(42.0)	3.8	1.3	(7.3)	(67.1)
Effect of prior year adjustment	(1.2)	–	–	–	–	–	–	–	(1.2)
As at 1 June 2021 – as restated	(10.6)	(5.7)	(5.9)	(1.9)	(42.0)	3.8	1.3	(7.3)	(68.3)
Credit/(charge) to income statement (restated)	0.7	0.5	0.1	0.5	2.5	(0.2)	(1.5)	(3.0)	(0.4)
Charge to other comprehensive income	–	(8.4)	–	–	–	–	–	(0.9)	(9.3)
Arising on a business combination	–	–	–	–	(8.9)	–	–	–	(8.9)
Exchange differences	(0.5)	0.2	(0.1)	–	(0.2)	0.2	1.0	(0.9)	(0.3)
As at 31 May 2022	**(10.4)**	**(13.4)**	**(5.9)**	**(1.4)**	**(48.6)**	**3.8**	**0.8**	**(12.1)**	**(87.2)**
Credit/(charge) to income statement	**0.1**	**(0.4)**	**0.7**	**(0.4)**	**2.7**	**0.3**	**3.3**	**2.4**	**8.7**
Credit to other comprehensive income	**–**	**7.4**	**–**	**–**	**–**	**–**	**–**	**0.9**	**8.3**
Exchange differences	**0.4**	**(0.2)**	**0.4**	**–**	**0.7**	**(0.3)**	**(0.5)**	**0.3**	**0.8**
As at 31 May 2023	**(9.9)**	**(6.6)**	**(4.8)**	**(1.8)**	**(45.2)**	**3.8**	**3.6**	**(8.5)**	**(69.4)**

Refer to note 1(c) for details of the prior year restatements.

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 £1.8 million (2022: £1.4 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. As at 31 May 2023, 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 £15.9 million (2022: £14.3 million).

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 2023 the Group recorded a deferred tax asset of £3.6 million (2022: £1.3 million) on recognised but unused tax losses. A further £2.7 million (2022: £5.1 million) of unrecognised tax losses are not expected to expire or be disposed of, together with £13.9 million (2022: £14.0 million) of unrecognised capital losses relating to the disposal of the five:am business. There is also an additional unrecognised deferred tax asset of £13.8 million relating to timing differences other than unrecognised tax losses. This amount relates to fixed asset differences, unused temporary differences, and accruals and provisions, and it is not probable that these timing differences will reverse in the foreseeable future.

Other timing differences include a liability for brands and goodwill of £7.1 million (2022: £6.8 million), an asset for share-based payments of £0.5 million (2022: £0.6 million), and a liability for unrealised foreign exchange movements of £1.6 million (2022: £2.1 million).

After offsetting deferred tax assets and liabilities where appropriate within jurisdictions (as permitted by IAS 12 'Income Taxes'), the net deferred tax liability comprises:

	2023 £m	2022 (restated) £m
Deferred tax assets	**7.5**	4.5
Deferred tax liabilities	**(76.9)**	(91.7)
	(69.4)	(87.2)

20. PROVISIONS

	Warranty provisions £m	VAT provision £m	Total £m
As at 1 June 2021	0.7	4.9	5.6
Provided	0.1	–	0.1
Utilised	(0.2)	–	(0.2)
Exchange differences	0.1	–	0.1
As at 31 May 2022	**0.7**	**4.9**	**5.6**
Released	**(0.4)**	**–**	**(0.4)**
Utilised	**–**	**(4.9)**	**(4.9)**
Exchange differences	**0.1**	**–**	**0.1**
As at 31 May 2023	**0.4**	**–**	**0.4**

Warranty provisions relate to the Group's electricals business in Africa. The VAT provision related to one of the Group's subsidiaries which had initially incorrectly assessed VAT on sales of certain goods and purchases of certain raw materials over the period 2016–2019. Following a determination on the VAT treatment of these sales and purchases, a liability was provided for which included an estimate of applicable fines and interest, and this was settled during the year.

21. RETIREMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE OBLIGATIONS

The Group operates retirement benefit schemes in the UK and overseas as described below.

UK retirement benefit schemes

The Group operates four defined benefit pension schemes in the UK, each of which were closed to future accrual on 31 May 2008. The schemes are as follows:

- PZ Cussons Retirement Benefits Plan (Main plan) – for UK-based employees excluding PZ Cussons plc Executive Directors
- PZ Cussons Directors' Retirement Benefits Plan (Directors' plan) – for PZ Cussons plc Executive Directors
- PZ Cussons Pension Fund and Life Assurance Scheme for Staff Employed Outside the UK (Expatriate plan) – for all eligible expatriate employees based outside the UK
- PZ Cussons Employer Financial Retirement Benefits Scheme (Unfunded plan) – an unfunded, unapproved retirement scheme for certain former PZ Cussons plc Directors.

Current and deferred members of these schemes are provided with defined benefits based on service and final salary. The Main plan, Directors' plan and Expatriate plan are funded schemes and the assets of the schemes are administered by trustees and are held in trust funds independent of the Group. The most recent triennial actuarial valuations of these schemes was as at 31 May 2021, and were performed by an independent professional actuary. Each scheme was determined to be in surplus and therefore there are no company contributions required to be paid before the next valuation.

Notes to the Consolidated Financial Statements continued

21. RETIREMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE OBLIGATIONS CONTINUED

The UK's main schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk as described below:

Risk	Description	Mitigation
Investment risk	The present value of the defined benefit pension schemes' liabilities is calculated using a discount rate (investment return) determined by direct reference to high-quality corporate bond yields (for IAS 19 'Employee Benefits' purposes) and gilt yields (for statutory funding and long-term funding purposes). If the return on scheme assets is less than these discount rates, the funding position of the schemes will fall.	As part of the financing of the funded schemes, they invest in assets with higher return expectations than lower risk bonds that are the best match for the schemes' liabilities. To control the resulting investment risk, the funded schemes 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 scheme is regularly monitored to ensure investment risk is not excessive given the statutory funding assumptions and the schemes' long-term funding objectives.
Interest risk	A decrease in the corporate bond yield and/or gilt yield will increase the present value of the schemes' liabilities under the IAS 19 'Employee Benefits' and statutory/long-term funding bases respectively.	The funded schemes 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 schemes' liabilities due to falling gilt and/or corporate bond yields are offset by similar movements in the value of the schemes' overall assets. Reflecting the funded schemes' focus on controlling interest risk relative to their statutory and long-term funding bases, the schemes' 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 schemes' IAS 19 'Employee Benefits' liabilities.
Inflation risk	An increase in inflation results in higher benefit increases for members, which results in higher scheme liabilities.	The schemes' liability-matching bond assets are also designed to hedge the majority of the inflation rate risk inherent in the schemes' liabilities. This is achieved by investing in index-linked gilts.
Longevity risk	The value of the schemes' liabilities is calculated by reference to the best estimate of the life expectancy of each scheme's participants. An increase in life expectancy of the schemes' participants will increase the schemes' liabilities.	To help control longevity risk all the schemes are closed to future benefit accrual. The schemes consider additional approaches to mitigating longevity risk, for example by buying annuities with an insurance company to cover the schemes' liabilities.

A summary of the amounts recognised in the consolidated balance sheet for the UK schemes described above is as follows:

	2023			2022		
	Assets £m	**Obligations £m**	**Total £m**	Assets £m	Obligations £m	Total £m
Main plan	**154.0**	**(127.3)**	**26.7**	217.3	(157.9)	59.4
Directors' plan	**29.2**	**(17.4)**	**11.8**	36.9	(27.0)	9.9
Expatriate plan	**89.2**	**(44.7)**	**44.5**	113.8	(55.0)	58.8
Unfunded plan	**–**	**(3.1)**	**(3.1)**	–	(3.5)	(3.5)
	272.4	**(192.5)**	**79.9**	368.0	(243.4)	124.6
Restriction due to asset ceiling			**(44.5)**			(58.8)
Net asset			**35.4**			65.8
Classified as/within:						
Retirement benefit surplus			**38.5**			69.3
Retirement benefit and other long-term employee obligations			**(3.1)**			(3.5)
			35.4			65.8

The trust deeds for the Main plan and Directors' plan provide 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 surpluses 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 plan has not been recognised in the consolidated balance sheet (shown as a restriction due to asset ceiling in the table above).

Movements in the fair value of plan assets were as follows:

	2023 £m	2022 £m
As at 1 June	**368.0**	416.8
Recognised in consolidated income statement:		
– administrative expenses	**(0.4)**	(0.9)
– finance income	**10.5**	7.0
Recognised in consolidated other comprehensive income:		
– return on plan assets (excluding finance income)	**(77.9)**	(45.9)
Not recognised within comprehensive income due to asset ceiling:		
– finance income	**2.1**	1.0
– return on plan assets (excluding finance income)	**(16.3)**	4.2
Employer contributions to the Unfunded plan	**0.2**	0.2
Benefits paid	**(13.8)**	(14.4)
As at 31 May	**272.4**	368.0

Employer contributions to the Unfunded plan related to payments during the year to former Directors amounting to £201,089 (2022: £190,888).

Notes to the Consolidated Financial Statements continued

21. RETIREMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE OBLIGATIONS CONTINUED

The assets in the schemes are as follows:

	2023 £m	2022 £m
Equities	**5.2**	19.0
Bonds	**259.7**	329.3
Property	**–**	4.2
Cash and cash equivalents	**7.5**	15.5
	272.4	368.0

Equities and bonds are quoted in active markets with all other assets being unquoted.

The UK schemes' investment strategy is set by the respective trustees after taking appropriate advice from their investment consultant. The trustee's primary objective is to invest the scheme'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 scheme is exposed.

Movements in the present value of the plan defined benefit obligations were as follows:

	2023 £m	2022 £m
As at 1 June	**(243.4)**	(334.1)
Recognised in the consolidated income statement:		
– finance income	**(8.3)**	(6.4)
Recognised in consolidated other comprehensive income:		
– remeasurement gain due to changes in demographic assumptions	**5.4**	2.9
– remeasurement gain due to changes in financial assumptions	**49.3**	78.9
– remeasurement (loss)/gain due to experience adjustments	**(9.3)**	0.9
Benefits paid	**13.8**	14.4
As at 31 May	**(192.5)**	(243.4)

Amounts recognised in the consolidated income statement comprised:

	2023 £m	2022 £m
Administrative expenses	**(0.4)**	(0.9)
Finance income	**2.2**	0.6
	1.8	(0.3)

Amounts recognised within consolidated other comprehensive income comprised:

	2023 £m	2022 £m
Relating to plan assets:		
– return on plan assets (excluding finance income)	**(77.9)**	(45.9)
Relating to plan defined benefit obligations:		
– remeasurement gain due to changes in demographic assumptions	**5.4**	2.9
– remeasurement gain due to changes in financial assumptions	**49.3**	78.9
– remeasurement (loss)/gain due to experience adjustments	**(9.3)**	0.9
	(32.5)	36.8

The key financial assumptions used by the actuary to value the scheme obligations were as follows:

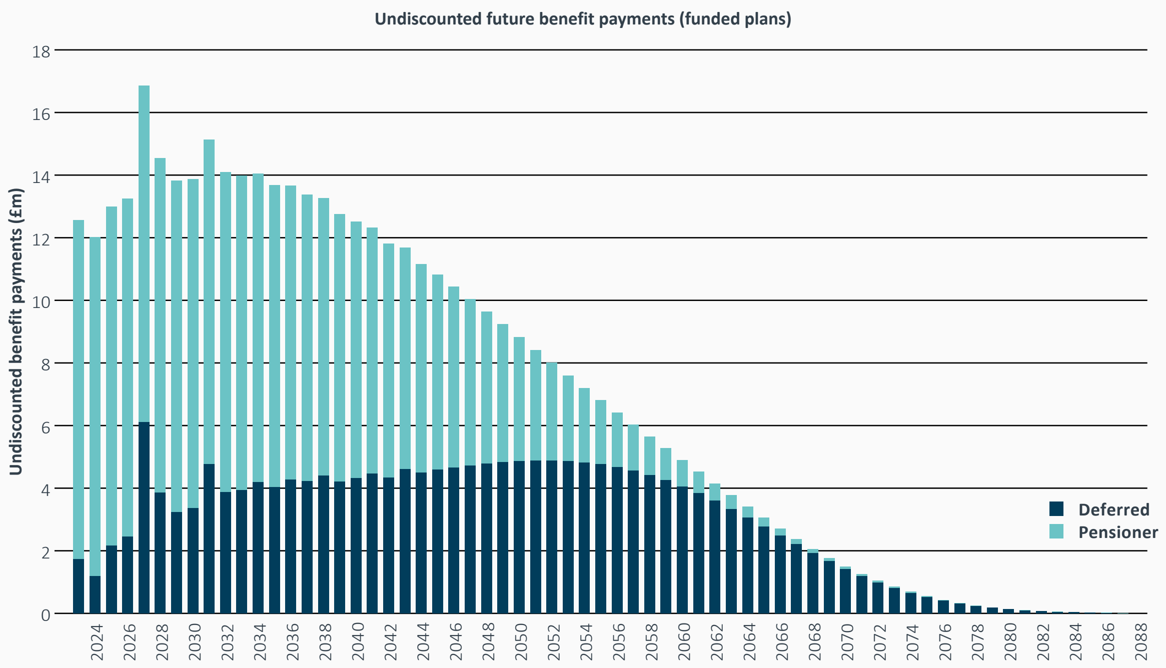
	2023	2022
Rate of increase in retirement benefits in payment		
– pensions in payment	**2.90%**	2.75%
– deferred pensions	**2.40%**	2.35%
Discount rate	**5.40%**	3.50%
Inflation (RPI)	**3.10%**	3.15%

The mortality assumptions used were as follows:

	2023 years	2022 years
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations		
– Member age 65 (current life expectancy)	**22.9**	22.9
– Member age 45 (life expectancy at age 65)	**24.4**	24.4

The ages shown above are weighted average across the schemes based on the scheme's defined benefit obligation as at 31 May 2023, and the prior year ages are presented on the same basis.

The graph below sets out the undiscounted benefit payments that are expected to be paid from the funded schemes based on the data used for the triennial actuarial valuations as at 31 May 2021:



The sensitivities on the key actuarial assumptions as at the end of the year in relation to the schemes were:

	Change in assumption	Change in obligation
Discount rate	Decrease of 0.25%	Increase of 3.0%
Inflation (RPI)	Increase of 0.25%	Increase of 2.6%
Mortality	Increase in life expectancy of 1 year	Increase of 3.4%

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 2024 the Group expects to make cash contributions of £nil (2022: £nil) to funded defined benefit schemes, and £215,000 (2022: £197,000) to unfunded schemes.

Notes to the Consolidated Financial Statements continued

21. RETIREMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE OBLIGATIONS CONTINUED

Overseas retirement benefit schemes

Outside of the UK, the Group operates a number of defined benefit pension schemes, all of which are unfunded, and the movement in the liability positions of these schemes during the year was as follows:

	2023 £m	2022 £m
As at 1 June	**(9.6)**	(8.4)
Recognised in consolidated income statement:		
– administrative expenses	**0.2**	(0.9)
– finance expense	**(0.6)**	(0.6)
Recognised in consolidated other comprehensive income:		
– remeasurement (losses)/gains	**(0.3)**	0.6
Benefits paid	**0.8**	0.6
Exchange differences	**0.2**	(0.9)
As at 31 May	**(9.3)**	(9.6)

The most significant overseas defined benefit scheme is operated by the Group's Indonesian subsidiary, and its obligations have been valued using a discount rate of 6.75% (2022: 7.75%) and a salary inflation rate of 8.0% (2022: 8.0%). The scheme's obligation included in the above table is £8.7 million (2022: £8.6 million).

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 obligation
Discount rate	Decrease of 1.0%	Increase of 9.3%
Salary rate	Increase of 1.0%	Increase of 8.9%

Defined contribution pension schemes and other long-term employee obligations

The Group operates a defined contribution pension scheme for current employees in the UK and at a number of overseas subsidiaries. The amount recognised as an expense in the consolidated income statement in relation to these schemes was £2.4 million (2022: £2.2 million).

The most significant other long-term employee obligation relates to the gratuity scheme operated by the Group's Nigerian subsidiary. This scheme operates under an agreement established in 2006 between PZ Cussons Nigeria plc and its employees, and is only eligible for employees who joined the company before 1 January 2007. The scheme is funded directly by the company, and the amount recognised as an expense in the consolidated income statement in relation to this scheme is £0.6 million (2022: £0.5 million).

22. SHARE CAPITAL AND INVESTMENT IN OWN SHARES

(a) Share capital

	2023		2022	
	Number 000	£m	Number 000	£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.

(b) Investment in own shares

Investment in own shares held by the Group represent the shares in the Company held by the employee share trusts which comprise the Employee Share Option Trust (ESOT) and the Share Incentive Plan (SIP) trust. The ESOT was established to purchase shares to satisfy awards under the Group's incentive schemes and the SIP trust was established to purchase and hold shares on behalf of employees participating in the SIP. Further details of these schemes are provided in note 23.

Movements in the investment in own shares were:

	ESOT number	SIP trust number
As at 1 June 2021	10,291,149	–
Issued to satisfy options	(63,099)	–
Transfers	(34,269)	34,269
As at 31 May 2022	**10,193,781**	**34,269**
Issued to satisfy options	**(132,634)**	**–**
Transfers	**(64,651)**	**64,651**
As at 31 May 2023	**9,996,496**	**98,920**

The transfer of shares between the trusts relate to matching awards provided by the Group under the SIP (see note 23) which are sourced from the ESOT.

The cost of shares held in the ESOT and SIP trust as at 31 May 2023 was £36.9 million, and the market value was £18.6 million (2022: £20.6 million).

23. SHARE-BASED PAYMENTS

The Group operates a number of long-term incentive schemes which provide share awards to Executive Directors and certain senior employees. These schemes are designed to align the interests of the participants with those of the Group's shareholders. The Group also operates a Share Incentive Plan (SIP) scheme which is open to UK employees.

The incentive schemes are described below.

Performance Share Plan (PSP)

The current version of the PSP, the PZ Cussons Long-Term Incentive Plan 2020 (LTIP 2020 plan), was approved by shareholders and adopted at the 2020 Annual General Meeting.

Under the LTIP 2020 plan, 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 (performance shares) subject to continued employment over a three-year vesting period and the satisfaction of certain performance criteria established by the Remuneration Committee. The fair value of the awards is determined to be the market price of the underlying shares on the date of the grant. There are no cash settlement alternatives. The Group accounts for the performance share awards as equity-settled awards. In the current year, 1,616,361 performance share awards (2022: 1,348,831 awards) were granted equating to a total fair value of £3.3 million (2022: £3.3 million) which will be recognised over the vesting period.

The LTIP 2020 plan also permits a portion of the awards for the senior employees, but not Executive Directors, to function like restricted stock. These share awards (restricted share awards) vest in full subject only to continued employment, with no performance conditions. There are no cash settlement alternatives. The Group accounts for the restricted share awards as equity-settled awards. In the current year, 948,158 restricted share awards (2022: 612,378 awards) were granted equating to a total fair value of £1.9 million (2022: £1.4 million) which will be recognised over the vesting period.

The total expense recognised in the consolidated income statement in the year in respect of both the performance share awards and the restricted share awards was £1.3 million (2022: £1.2 million).

Deferred Bonus Share Plan

This plan is limited to the Executive Directors and requires a minimum of 25% of any annual bonus earned to be deferred into shares (deferred bonus shares). The deferral period is three years (unless the Remuneration Committee determines otherwise) and the shares vest in full subject only to continued employment, with no performance conditions. The fair value of the deferred bonus share awards is determined to be the market price of the underlying shares on the date of the grant. The Group accounts for the deferred bonus share awards as equity-settled awards. In the current year, 89,222 deferred bonus share awards (2022: 116,730 awards) were granted equating to a total fair value of £0.2 million (2022: £0.3 million) which will be recognised over the vesting period. The amount recognised in the consolidated income statement in the year in respect of deferred bonus share awards was £0.1 million income (2022: £0.3 million expense).

Notes to the Consolidated Financial Statements continued

23. SHARE-BASED PAYMENTS CONTINUED

SIP

The Group launched the SIP in October 2021. Available to UK employees, this plan aligns employees with the business strategy and investors by encouraging equity participation through the wider employee population. Under the plan, employees can opt to make a salary deduction on a monthly basis to subscribe for shares which the Group matches up to a maximum of £100 per employee per month. These matched share awards vest subject to continued employment over a three-year vesting period and a number of conditions associated with withdrawal. The fair value of the matched share awards is determined to be the market price of the shares on the date of matching. There are no cash settlement alternatives. The Group accounts for the matched share awards as equity-settled awards. In the current year, 71,160 matched share awards (2022: 35,389 awards) were granted equating to a total fair value of £0.1 million (2022: £0.1 million) which will be recognised over the vesting period. The expense recognised in the consolidated income statement in the year in respect of matched share awards was £45,000 (2022: £71,000).

Set out below are the movements in the options and awards under each of the schemes:

	Performance shares number	Restricted shares number	Deferred bonus shares number	SIP number	Total number
Options/awards outstanding as at 1 June 2021	3,315,616	370,947	–	–	3,686,563
Options/awards issued	1,348,831	612,378	116,730	35,389	2,113,328
Options/awards exercised	–	(28,311)	–	–	(28,311)
Options/awards lapsed/forfeited	(1,411,534)	(104,060)	–	(1,209)	(1,516,803)
Options/awards outstanding as at 31 May 2022	**3,252,913**	**850,954**	**116,730**	**34,180**	**4,254,777**
Options/awards issued	**1,616,361**	**948,158**	**89,222**	**71,160**	**2,724,901**
Options/awards exercised	**–**	**(50,325)**	**–**	**–**	**(50,325)**
Options/awards lapsed/forfeited[1]	**(1,249,311)**	**(160,840)**	**–**	**(8,880)**	**(1,419,031)**
Options/awards outstanding as at 31 May 2023	**3,619,963**	**1,587,947**	**205,952**	**96,460**	**5,510,322**

1 Of the options/awards which lapsed/forfeited in the year ended 31 May 2023 for the performance shares and restricted shares, 1,290,407 related to the previous scheme approved in 2014.

The vesting dates of the outstanding options/awards as at 31 May 2023 is:

	Performance shares number	Restricted shares number	Deferred bonus shares number	SIP number	Total number
31 May 2024	958,755	423,434	–	–	1,382,189
31 May 2025	1,124,677	513,282	116,730	29,102	1,783,791
31 May 2026	1,536,531	651,231	89,222	67,358	2,344,342

24. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2023 £m	2022 (restated) £m
Profit before tax from continuing operations	**61.8**	64.5
Loss before tax from discontinued operations	**–**	(1.7)
Profit before tax	**61.8**	62.8
Net finance (income)/costs	**(2.1)**	1.3
Operating profit	**59.7**	64.1
Depreciation (notes 11 and 25)	**12.1**	12.8
Amortisation (note 10)	**7.0**	7.4
Impairment of intangible assets and property, plant and equipment (notes 10 and 11)	**16.5**	17.5
Impairment reversal of intangible assets (note 10)	**(4.2)**	(8.5)
Profit on disposal of property, plant and equipment	**(11.1)**	(14.0)
Impairment reversal of net investments in joint ventures	**(2.2)**	–
Derecognition of capitalised costs related to cloud computing arrangements	**–**	1.0
Reclassification of exchange differences on repayment of permanent as equity loans	**–**	1.4
Difference between pension charge and cash contributions	**0.5**	1.1
Profit on disposal of businesses	**–**	(1.7)
Share-based payment expense	**1.7**	1.9
Share of results of joint ventures	**(7.5)**	(6.6)
Operating cash flows before movements in working capital	**72.5**	76.4
Movements in working capital:		
Inventories	**(8.4)**	(14.5)
Trade and other receivables	**(13.4)**	4.0
Trade and other payables	**30.3**	0.4
Provisions	**(4.4)**	(0.1)
Cash generated from operations	**76.6**	66.2

Refer to note 1(c) for details of the prior year restatements.

Notes to the Consolidated Financial Statements continued

25. LEASES

The Group has lease contracts for various items of property, motor 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.

Movements in the carrying amounts of right-of-use assets during the year were:

	Land and buildings £m	Motor vehicles £m	Other equipment £m	Total £m
As at 1 June 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)
Exchange differences	0.3	0.3	–	0.6
As at 31 May 2022	**13.6**	**2.3**	**1.0**	**16.9**
Additions	**0.7**	**0.9**	**0.1**	**1.7**
Depreciation	**(2.5)**	**(1.2)**	**(0.2)**	**(3.9)**
Derecognition of right-of-use assets	**(1.6)**	**(0.1)**	**(0.3)**	**(2.0)**
Exchange differences	**–**	**(0.3)**	**0.1**	**(0.2)**
As at 31 May 2023	**10.2**	**1.6**	**0.7**	**12.5**

Movements in the carrying amounts of lease liabilities during the year were:

	£m
As at 1 June 2021	11.8
Additions	8.1
Accretion of interest	0.5
Payments	(4.0)
Exchange differences	0.5
As at 31 May 2022	**16.9**
Additions	**0.8**
Accretion of interest	**0.5**
Payments	**(3.0)**
Derecognition of lease liability	**(2.2)**
As at 31 May 2023	**13.0**

The classification of lease liabilities is:

	2023 £m	2022 £m
Current liabilities	**1.7**	2.9
Non-current liabilities	**11.3**	14.0
	13.0	16.9

Amounts recognised in profit or loss were:

	2023 £m	2022 £m
Depreciation expense of right-of-use assets	**3.9**	3.5
Interest expense on lease liabilities	**0.5**	0.5
Expense relating to short-term or low-value assets	**0.2**	–
	4.6	4.0

The maturity analysis of future lease payments is provided in note 17.

26. RELATED PARTY TRANSACTIONS

Key management personnel

The key management personnel of the Group comprise the members of the PZ Cussons plc Board of Directors. The key management personnel compensation was as follows (comparative amounts have been corrected from previously reported):

	2023 £m	2022 £m
Short-term employee benefits	**2.5**	2.1
Post-employment benefits	**0.1**	0.1
Share-based payments expense	**0.5**	0.3
	3.1	2.5

Transactions with joint ventures

Certain Group subsidiary companies enter into related party transactions with PZ Wilmar Limited, a joint venture interest which was set up under the terms of a joint venture agreement with Wilmar International Limited. Set out below are details of related party transactions during the year with PZ Wilmar Limited as well as balances as at 31 May 2023:

- At 31 May 2023, outstanding long-term loans receivable from PZ Wilmar Limited amounted to £40.3 million (2022: £39.6 million). These long-term loans are presented as part of the Group's net investment in the joint venture, and are denominated in US Dollars, interest free and repayable in part or in full on demand, subject to a 12-month notice period. The loan is matched by another loan of the same amount and terms from the Group's fellow joint venture partner
- Short-term loans are advanced to PZ Wilmar Limited from time to time. These loans are interest bearing, repayable on demand and not secured. During the year, loans advanced amounted to £11.2 million (2022: £12.6 million) and were repaid in full during the year, and the amount due as at 31 May 2023 was £nil (2022: £nil). In addition, in the prior year the loan receivable as at 31 May 2021 of £8.5 million was repaid. Interest received in the year amounted to £0.7 million (2022: £0.4 million)
- At 31 May 2023, the outstanding trade receivable balance due from PZ Wilmar Limited was £2.2 million (2022: £1.7 million). All trading balances are settled in cash, and there were no provisions for doubtful related party receivables at 31 May 2023 (2022: £nil).

PZ Foundation

The PZ Foundation is not a related party within the definition of IAS 24 'Related Party Disclosures' 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 £0.2 million (2022: £nil). As at 31 May 2023 there were no outstanding balances with the PZ Foundation (2022: £nil).

Notes to the Consolidated Financial Statements continued

27. DISCONTINUED OPERATIONS

In 2022, net costs of £1.8 million were recognised in relation to other operations discontinued in prior periods, and cash used in operating activities amounted to £0.7 million.

28. BUSINESS COMBINATIONS

There were no acquisitions in the year.

Acquisition in year ended 31 May 2022

On 21 March 2022, PZ Cussons Acquisition Co Limited, a subsidiary of the Group, acquired the entire issued share capital of Tadley Holdings Limited, the parent company of Childs Farm. Childs Farm is a leading brand in UK baby and child personal care.

Under the terms of the transaction, the founder of Childs Farm made a £3.25 million investment in PZ Cussons Acquisition Co Limited which gave her a 8.125% equity interest in the company, with a mechanism for the Group to purchase this equity interest in two equal tranches following each of the years ending 31 May 2024 and 31 May 2025 at a price based on a 6.62x multiple of the lower of Childs Farm's actual gross profit and forecast gross profit in those years, subject to a cap of £32.5 million. The terms also allowed for purchase of this equity interest prior to these dates under certain conditions. As the mechanism to purchase the former owner's equity interest in PZ Cussons Acquisition Co Limited is contractual, the Group has accounted for this obligation as deferred consideration in relation to the acquisition of Tadley Holdings Limited. The deferred consideration liability determined at acquisition amounted to £7.2 million and as at 31 May 2022 this was classified within other payables, with £3.2 million within current liabilities and £4.0 million within non-current liabilities. The liability was reassessed during the year and a £1.3 million reduction was recognised in finance income (note 18).

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2022 £m
Intangible assets – brand	35.5
Inventories	2.2
Trade and other receivables	2.7
Trade and other payables	(4.4)
Deferred tax liabilities	(8.9)
Total identifiable net assets acquired	27.1
Goodwill (restated)	13.5
Purchase consideration	40.6

Refer to note 1(c) for details of the prior year restatements.

Purchase consideration comprised:

	2022 £m
Cash consideration paid	36.7
Cash received from former owner	(3.3)
Deferred consideration	7.2
Total consideration	40.6

The net cash outflow on acquisition comprised:

	2022 £m
Cash consideration paid	36.7
Cash received from former owner	(3.3)
	33.4

The goodwill arising on the acquisition of £13.5 million comprised the expected synergies between the acquired business and the Group.

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 31 May 2022.

In the year ending 31 May 2022, costs related to the acquisition amounted to £1.4 million which were recognised in the consolidated income statement within administrative expenses. The Group has presented these costs as adjusting items (note 3).

29. SUBSIDIARIES AND JOINT VENTURES

Details of the Company's subsidiaries as at 31 May 2023 are as follows (PZ Cussons (Holdings) Limited and PZ Cussons (International) Limited are directly owned by PZ Cussons plc; all other subsidiaries are indirectly held):

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%	Level 3, 510 Church Street Cremorne Victoria 3121
PZ Cussons Australia Pty Limited	Manufacturing	Australia	100%	100%	Level 3, 510 Church Street Cremorne Victoria 3121
PZ Cussons Beauty Australia (Holdings) Pty Limited	Holding company	Australia	100%	100%	Level 3, 510 Church Street Cremorne Victoria 3121
Rafferty's Garden Pty Limited	Dormant	Australia	100%	100%	Level 3, 510 Church Street Cremorne Victoria 3121
United Laboratories Limited	Dormant	Australia	100%	100%	Level 3, 510 Church Street Cremorne Victoria 3121
PZ Cussons (New Zealand) Limited	Distribution	Australia	100%	100%	Level 3, 510 Church Street Cremorne Victoria 3121
Paterson Services (Shanghai) Limited	Active	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	91.87%	91.87%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Tadley Holdings Limited	Holding company	England	100%	100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
Childs Farm Limited	Distribution	England	100%	100%	Manchester Business Park, 3500 Aviator Way, Manchester, M22 5TG
PZ Cussons Ghana PLC	Distribution	Ghana	95.68%	95.68%	Plot 27/3-27/7, Sanyo Road, Tema, PO Box 628 Community 1, Tema
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%	Level 54, Hopewell Centre, 183 Queen's Road East
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

Notes to the Consolidated Financial Statements continued

29. SUBSIDIARIES AND JOINT VENTURES CONTINUED

Company	Operation	Country of incorporation	Parent Company's interest	Proportion of voting interest	Registered Office address
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 Limited	Dormant	Ireland	100%	100%	4th Floor, 103/104 O'Connell Street, Limerick V94 AT85, Co. 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	99.99%	99.99%	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	99.99%	99.99%	45/47 Town Planning Way, Ilupeju, Lagos
PZ Cussons Nigeria PLC	Manufacturing	Nigeria	73.27%	73.27%	45/47 Town Planning Way, Ilupeju, Lagos
Roberts Pharmaceuticals Limited	Dormant	Nigeria	100%	100%	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
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 The equity interest in HPZ Limited is owned by PZ Cussons Nigeria PLC.

In addition, Paterson Zochonis Employee Trust (registered in Jersey) is also a subsidiary. The trust was established in 2001 and holds shares in the Company predominantly for the Group's Long-Term Incentive Plans (note 23).

Joint venture company	Operation	Country of incorporation	Parent company's interest	Registered Office address
PZ Wilmar Limited	Manufacturing	Nigeria	50%	45/47 Town Planning Way, Ilupeju, Lagos

With the exception of PZ Cussons Acquisition Co Limited which has an accounting reference date of 31 March and Paterson Services (Shanghai) Ltd with an accounting reference date of 31 December, all subsidiary entities have an accounting reference date of 31 May.

30. EVENTS AFTER THE REPORTING PERIOD

Central Bank of Nigeria announcement

In June 2023, a policy announcement was made by the Central Bank of Nigeria to liberalise the foreign exchange regime which, as part of a broader suite of fiscal reforms under the new government, is designed to improve the longer-term economic prospects for the country and remove some of the challenges faced by multi-national companies in repatriating funds from Nigeria. Following this announcement, the Naira exchange rate weakened against sterling and USD.

The Group's exposure to foreign currency risk is described in note 17, and sensitivity tables are provided which set out the impact of movements in the principal foreign currency exchange rates affecting the Group's results.

Offer to acquire minority-held shares in PZ Cussons Nigeria Plc

On 5 September 2023, the Group announced that it had made an offer to acquire the 26.73% of issued share capital of PZ Cussons Nigeria Plc held by minority-held shareholders at a value of ₦21 per share, subject to prevailing market conditions, equivalent to a total cash consideration payable of £22.8 million (based on a Naira to GBP rate of 977). Funding for the transaction is expected to come from existing Naira cash balances. The offer is subject to the approval of the PZ Cussons Nigeria Plc board, regulatory approvals and vote of the minority shareholders.

Company Balance Sheet

As at 31 May 2023

	Notes	2023 £m	2022 (restated) £m
Non-current assets			
Investments in subsidiaries	4	**63.2**	90.7
Receivables	5	**–**	99.0
		63.2	189.7
Current assets			
Receivables	5	**7.4**	84.7
Investments		**0.5**	0.5
Cash and cash equivalents		**1.2**	1.0
		9.1	86.2
Current liabilities			
Payables	6	**(15.9)**	(4.3)
Net current (liabilities)/assets		**(6.8)**	81.9
Total assets less current liabilities		**56.4**	271.6
Non-current liabilities			
Borrowings	7	**–**	(174.0)
Net assets		**56.4**	97.6
Equity			
Share capital	8	**4.3**	4.3
Own shares	8	**(36.9)**	(37.3)
Capital redemption reserve		**0.7**	0.7
Hedging reserve		**–**	–
Other reserve		**3.7**	2.0
Retained earnings		**84.6**	127.9
Total equity		**56.4**	97.6

Refer to note 1(b) for details of the prior year restatement.

The financial statements from pages 211 to 219 were approved by the Board of Directors and authorised for issue on 26 September 2023.

They were signed on its behalf by:

J Myers **S Pollard**

PZ Cussons plc
Registered number 00019457

Company Statement of Changes in Equity

For the year ended 31 May 2023

	Notes	Share capital £m	Own shares £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m
As at 1 June 2021 – as reported		4.3	(40.0)	0.7	(0.1)	–	159.6	124.5
Effect of prior year adjustment	1(b)	–	2.4	–	–	–	(1.8)	0.6
As at 1 June 2021 – as restated		4.3	(37.6)	0.7	(0.1)	–	157.8	125.1
Loss for the year		–	–	–	–	–	(4.1)	(4.1)
Cash flow hedges – net movement		–	–	–	0.1	–	–	0.1
Share based payment (restated)		–	–	–	–	2.0	–	2.0
Shares issued from ESOT (restated)		–	0.3	–	–	–	(0.3)	–
Ordinary dividends	3	–	–	–	–	–	(25.5)	(25.5)
As at 31 May 2022 – as restated		**4.3**	**(37.3)**	**0.7**	**–**	**2.0**	**127.9**	**97.6**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(16.1)**	**(16.1)**
Ordinary dividends	3	**–**	**–**	**–**	**–**	**–**	**(26.8)**	**(26.8)**
Share based payment		**–**	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Shares issued from ESOT		**–**	**0.4**	**–**	**–**	**–**	**(0.4)**	**–**
As at 31 May 2023		**4.3**	**(36.9)**	**0.7**	**–**	**3.7**	**84.6**	**56.4**

Notes to the Company Financial Statements

1. ACCOUNTING POLICIES

(a) 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.

The Company's functional currency is Pounds Sterling (GBP) and these financial statements are presented in GBP and, unless otherwise indicated, have been presented in £million to one decimal place.

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 loss for the year of the parent company is shown in the statement of changes in equity. Details of dividends paid are included in note 3 of the 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 consolidated 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 'Presentation of Financial Statements'
  (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.

(i) New and amended standards adopted by the Company

The following amendments to existing standards apply for the first time in the year ended 31 May 2023:

- Amendments to IAS 16 'Plant, Property & Equipment' – Proceeds before Intended Use
- Amendments to IFRS 3 'Business Combinations' – Reference to the Conceptual Framework
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020.

The adoption of the new accounting standards and interpretations listed above has not led to any changes to the Company's accounting policies or had any other material impact on the financial position or performance of the Company.

Notes to the Company Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

(ii) New accounting standards and interpretations in issue but not yet effective

Certain amendments to existing standards, as listed below, have been published that are not mandatory for the 31 May 2023 reporting year and have not been early adopted by the Company.

Effective date 1 January 2023:

- Amendments to IAS 1 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-Current
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 12 'Income Taxes' – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Effective date 1 January 2024:

- Amendments to IFRS 16 'Leases' – Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 'Presentation of Financial Statements' – Non-Current Liabilities with Covenants.

Effective date to be confirmed:

- Amendments to IAS 28 'Investment in Associates'- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the new accounting standards and interpretations listed above is not expected to lead to any significant changes to the Company's accounting policies or have any other material impact on the financial position or performance of the Company.

(b) Corrections of errors

In preparing these financial statements management identified errors relating to transactions reported in prior periods. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' these errors have been corrected by restatement of previously reported figures as described below.

Restatements

The following items were considered material errors requiring restatement of previously reported figures.

Share based payments – as noted in the Company accounting policies, the Group operates a number of long-term incentive schemes which provide awards of the Company's share capital to Executive Directors and certain senior employees. The accounting for these awards has been subsequently reviewed and determined to be not in accordance with IFRS 2 'Share-based Payment' since the Company had not been treating the fair value of the awards as capital contributions as required by IFRS 2. The impact on the balance sheet of correcting this treatment and restating previously reported figures for the item described is set out in the table below.

Transactions of the Company sponsored Employee Share Option Trust (ESOT)- as stated in the accounting policies, are treated as being those of the Company and are therefore reflected in the Company's financial statements. Purchases by the ESOT have been reflected, however certain issuances and sales of shares from the ESOT in previous years had not been. This has been corrected as at 31 May 2021 through a £2.4 million reduction in the own shares reserve for the cost of shares issued and sold, the recognition of cash proceeds of £0.6 million with a corresponding decrease in retained earnings. The reduction in the own shares reserve as previously reported as at 31 May 2021 is £2.7 million.

The impact on the balance sheet of restating previously reported figures for the items described is set out in the table below:

As at 31 May 2022	As previously reported £m	Share based payments £m	ESOT £m	As restated £m
Consolidated balance sheet				
Investments	88.7	2.0	–	90.7
Cash and cash equivalents	0.4	–	0.6	1.0
Total assets less current liabilities	269.0	2.0	0.6	271.6
Net assets	95.0	2.0	0.6	97.6
Own shares	40.0	–	(2.7)	37.3
Other reserve	–	(2.0)	–	(2.0)
Total equity	(95.0)	(2.0)	(0.6)	(97.6)

(c) Accounting policies

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 profit or loss.

Taxation

The tax expense included in the Company income statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the balance sheet date. Tax expense is recognised in the Company income statement except to the extent that it relates to items recognised in the Company statement of comprehensive income or directly in the Company statement of changes in equity, in which case it is recognised in the Company statement of comprehensive income or directly in the Company statement of changes in equity, respectively.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Company income statement, except when it relates to items charged or credited directly to equity or other comprehensive income/(loss), in which case the deferred tax is also recognised in equity, or other comprehensive income/(loss), respectively.

Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. The Company tests the investment balances for impairment when there are indicators of impairment. 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 profit or loss. 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.

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 included within current assets and liabilities are generally short-term in nature and accordingly their fair values approximate to their carrying values.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less a loss allowance based on an expected credit loss model.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Interest-bearing borrowings 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.

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.

Share capital and own shares

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 its own shares, the consideration paid, including any directly attributable incremental costs (net of tax) 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 tax, is included in equity attributable to the Company's equity holders.

Transactions of the Company-sponsored Employee Share Option Trust (ESOT) and the Share Incentive Plan (SIP) trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. Transactions include purchases and sales of shares in the Company.

Notes to the Company Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

Dividend distribution

Dividend distributions which are subject to shareholder approval are recognised as a liability in the period in which approval is given. Interim dividends, which do not require shareholder approval, are recognised when paid.

Share-based payments

The Group operates a number of long-term incentive schemes which provide awards of the Company's share capital to Executive Directors and certain senior employees. These schemes are designed to align the interests of the participants with those of the Company's shareholders. The Group also operates a Share Incentive Plan (SIP) scheme which is open to UK employees and this plan aligns employees with the business strategy and investors by encouraging participation in the ownership of the Company's share capital. The incentive schemes are accounted for as equity-settled share-based payments, and further details are provided in note 23 to the Group consolidated financial statements. 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 is adjusted to reflect this capital contribution.

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, the critical judgements and key source of estimation uncertainty 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 and estimation of recoverable amount 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.

2. DIRECTORS' EMOLUMENTS

	2023 £m	2022 £m
Aggregate amount of Directors' emoluments	**3.1**	2.2
Emoluments of the highest paid Director	**1.6**	1.3

Amounts above include share-based payment expenses. For the year ended 31 May 2023 the highest paid Director received Company pension contributions of £0.06 million (2022: £0.06 million).

The Schedule 5 requirements of SI 2008/410 for Directors' remuneration, as well as their interests in the Company, are included in the Report on Directors' Remuneration on pages 119 to 131.

3. DIVIDENDS

	2023 £m	2022 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise:		
Final dividend for the year ended 31 May 2022 of 3.73p (2022: 3.42p) per ordinary share	**15.6**	14.3
Interim dividend for the year ended 31 May 2023 of 2.67p (2022: 2.67p) per ordinary share	**11.2**	11.2
	26.8	25.5

After the balance sheet date, a final dividend for the year ended 31 May 2023 was proposed by the Directors of 3.73p per ordinary share. This results in a total final proposed dividend of £15.6 million (2022: £15.6 million). Subject to approval by shareholders at the Annual General Meeting, the dividend will be paid on 30 November 2023 to the shareholders on the register on 3 November 2023. The proposed dividend has not been included as a liability in the financial statements as at 31 May 2023.

4. INVESTMENTS IN SUBSIDIARIES

	£m
Cost	
As at 1 June 2021	88.7
Additions (restated)	2.0
As at 31 May 2022 – as restated	**90.7**
Additions	**1.7**
As at 31 May 2023	**92.4**
Accumulated impairment	
As at 1 June 2021 and 31 May 2022	–
Impairment charge	**(29.2)**
As at 31 May 2023	**(29.2)**
Carrying value	
As at 31 May 2023	**63.2**
As at 31 May 2022	90.7

Refer to note 1(b) for details of the prior year restatement.

Additions are deemed capital contributions in relation to share based payment expenses incurred by 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. In the current year, the Directors identified an indicator of impairment in the investment in PZ Cussons (International) Limited and based on an assessment of its recoverable amount recorded an impairment of £29.2 million against its carrying value of £55.6 million. PZ Cussons (International) Limited provides services to fellow subsidiaries and the loss incurred in the year has been considered an indicator of impairment. As the subsidiary is non-trading and holds the Group's external borrowings and UK defined benefit pension schemes, net assets is considered the best approximation to fair value less costs to sell. An increase/decrease of 10% in the subsidiary's net assets of £26 million would decrease/increase the investment impairment by £2.6 million. The subsidiary's net assets are primarily sensitive to variation in the Group's UK retirement benefit schemes' net assets (see note 21 to the consolidated financial statements).

Details of the Company's direct subsidiaries as at 31 May 2023 are shown below. For a full listing of all subsidiaries see note 29 in the Group 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%**

Notes to the Company Financial Statements continued

5. RECEIVABLES

	2023 £m	2022 £m
Non-current		
Amounts owed by Group companies	–	99.0
Current		
Amounts owed by Group companies	–	80.3
Other receivables	–	4.4
Prepayments	**2.3**	–
Current tax receivable	**5.1**	–
	7.4	84.7

As at 31 May 2022, the Company was the sole borrower on the Group's RCF facility at that time with all amounts borrowed under the RCF being lent on to other Group companies, with interest charged matching the interest liability. The amounts owed by Group companies as at 31 May 2022 predominantly related to this on-lending, and the balances were unsecured and repayable on demand. Although amounts were repayable on demand, for the amounts classified as non-current there was no expectation that entire amounts would be repaid within 12 months and therefore did not meet the criteria to be classified as current assets.

As described in note 17 to the Group consolidated financial statements, in November 2022, and a year in advance of its expiry date, the RCF facility referred to above was replaced by a new Group committed credit facility.

6. PAYABLES

	2023 £m	2022 £m
Amounts owed to Group companies	**15.8**	4.1
Accruals	**0.1**	0.2
	15.9	4.3

Amounts owed to Group companies are non-interest-bearing, unsecured and have no fixed date of repayment.

7. BORROWINGS

Borrowings as at 31 May 2022 related to amounts drawn under the facility referred to in note 5. This facility was replaced in November 2022, a year in advance of its expiry date. As at 31 May 2022, £174.0 million was drawn at an interest rate of 0.80% above SONIA.

8. SHARE CAPITAL AND INVESTMENT IN OWN SHARES

(a) Share capital

	2023		2022	
	number 000	£m	number 000	£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.

(b) Investment in own shares

Investment in own shares represent the shares in the Company held by the employee share trusts which comprise the Employee Share Option Trust (ESOT) and the Share Incentive Plan (SIP) trust. The ESOT was established to purchase shares to satisfy awards under the Group's incentive schemes and the SIP trust was established to purchase and hold shares on behalf of employees participating in the SIP.

Movements in the investment in own shares was:

	ESOT number	SIP trust number
As at 1 June 2021	10,291,149	–
Issued to satisfy options	(63,099)	–
Transfers	(34,269)	34,269
As at 31 May 2022	**10,193,781**	**34,269**
Issued to satisfy options	**(132,634)**	**–**
Transfers	**(64,651)**	**64,651**
As at 31 May 2023	**9,996,496**	**98,920**

The transfer of shares between the trusts relate to matching awards provided by the Group under the SIP which are sourced from the ESOT.

The cost of shares held in the ESOT and SIP trust as at 31 May 2023 was £36.9 million, and the market value was £18.6 million (2022: £20.6 million).

9. CONTINGENT LIABILITIES AND GUARANTEES

The Company is one of a number of Group companies who are guarantors to the £325 million committed credit facility taken out by the Group during the year. The new facility comprises a term loan, of up to £125 million, with the balance as a revolving credit facility (RCF) structure with maturity dates of up to November 2028. Further details are provided in note 17 to the Group consolidated financial statements. The amount borrowed by the Group under this agreement as at 31 May 2023 was £252.0 million, of which the Company's borrowing was £nil.

A similar arrangement applied for the previous facility, and as at 31 May 2022 the amount borrowed under this facility was £174.0 million, all of which was borrowed by the Company.

10. EVENTS AFTER THE REPORTING PERIOD

There are no material post balance sheet events since the year-end date.

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
BEST values	Our PZ Cussons values (Bold, Energetic, Striving and Together)
Brand Investment	An operating cost related to our investment in brands (previously 'Media & Consumer')
ELT	Executive Leadership Team
Employee wellbeing	% score based upon a set of questions within our annual survey of employees
EPS	Earnings per share
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 23 November 2023 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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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. While 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.

Notes

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